A change of direction in Fantasyland

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FINANCIAL TIMES

Europe's Business Newspaper — WEEKEND FEBRUARY 13/FEBRUARY 14 1993 — D8523A

Lloyds rises to £801m despite domestic setback

Lloyds Bank reported a 28 per cent rise in pre-tax profits to £801m, in spite of a sharp fall in UK retail bank profits from £105m to £5m. This was partly caused by losses on small and medium-sized business lending. The bank announced a 10 per cent increase in its dividend to 18.4p. Page 10

Fokker deal moves closer: The purchase of a 51 per cent stake in Dutch aircraft manufacturer Fokker by Deutsche Aerospace (Dasa) moved closer when the Dutch government accepted sharply revised terms. Differences remain, however, over the level of state support for redundancies. Page 12

Heathrow expansion plans: Proposals for a £900m fifth terminal at London's Heathrow Airport are to be submitted next week. Plans, likely to provoke a tough planning battle, would expand Heathrow's capacity from 42m to over 70m passengers a year. Page 24

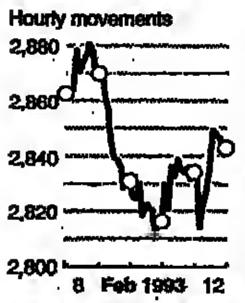
Daf receivers sack 1,600: Nearly a third of the UK workforce of Leyland Daf, 1,635 employees, were dismissed from five sites and receivers said remaining workers would be laid off if they took strike action. Page 5

Airbus subsidy row: European Commission officials reacted with anger to President Bill Clinton's attack on EC subsidies for Airbus, describing it as an unhelpful addition to the growing tension in transatlantic trade relations. Page 2

Equities rally on inflation news

FT-SE 100 Index

Hourly movements



Share prices turned around sharply on news that UK inflation had fallen to its lowest level for 25 years. Equities rallied to close with good gains as the two-week trading account ended. After absorbing the economic data, the FT 100 index rose to 2,854.8, up more than 20 points. Page 15; Markets, Weekend, Page II

New Socialist leader named: Former trade union leader Giorgio Benvenuto became head of Italy's governing Socialist party, replacing Bettino Craxi who resigned over a corruption scandal on Thursday. Page 3

Gas terminal go-ahead: Plans for a £250m gas terminal in North Wales won government approval in a move that could secure the future of the Cammell Laird shipyard at Birkenhead. Page 24

Serb-Croat talks to resume: Talks between the Croatian government and Serbs will begin at the UN next week in an effort to renew a peace agreement shattered by recent fighting. UN steps up aid drive in Bosnia, Page 2

German defence cuts: Germany unveiled details of a first round of cuts in defence spending which will save an estimated DM700m (£300m) over the next few years. Page 3

Swaps case ruling: The High Court ruled in favour of Westdeutsche Landesbank Girozentrale, which sought to recover £1m from an interest rate swap transaction with the London Borough of Islington, in the first case to be heard since councils swaps were outlawed.

Unita closes in: Unita rebels were reported to have captured Angola's strategic city of Huambo although government forces may be offering resistance. Unita is refusing to accept results of last September's election. Page 4

Changes at Isosceles: David Simons, new chief executive at Isosceles, wants to simplify the management structure of the Gateway food retail business. Two directors are to leave. Page 10

Death sentence for ex-president: Mali's former president Moussa Traore and three senior army officers were sentenced to death after a court found them guilty of mass murder.

Two flights for the price of one

Next week, The Financial Times is offering two Club Europe flights for the price of one to 25 European destinations from London Gatwick. See Monday's FT for details

■ STOCK MARKET INDICES		
FT-SE 100:	2,843.8	(+6.7)
Yield	4.21	
FT-SE Eurotrack 100	1,122.67	(+8.26)
FT-A All-Share	1,384.18	(+0.2%)
Nikkei	16,851.81	(−238.39)
New York: lunchtime		
Dow Jones Ind Ave	3,408.54	(−14.05)
S&P Composite	443.88	(−1.57)

■ US LUNCHTIME RATES	
Federal Funds:	2$\frac{15}{16}$%
3-mo Treas Bills: Yld	2.982%
Long Bond	99$\frac{1}{2}$
Yield	7.122%

■ LONDON MONEY		
3-mo Interbank	6$\frac{3}{16}$%	(Same)
Liffe long gilt future: Mar	102$\frac{3}{4}$	(Mar 100$\frac{11}{32}$)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Apr)	$18.44	(18.45)

■ Gold		
New York Comex (Feb)	$328.8	(332.2)
London	$328.45	(331.75)

■ STERLING		
New York lunchtime:		
$	1.417	
London:		
$	1.418	(1.4185)
DM	2.3575	(2.3525)
FFr	7.9725	(7.95)
SFr	2.165	(2.1775)
Y	171.25	(170.5)
£ Index	78.2	(78.0)

■ DOLLAR		
New York lunchtime:		
DM	1.6625	
FFr	5.6125	
SFr	1.5435	
Y	120.65	
London:		
DM	1.6625	(1.658)
FFr	5.6225	(5.605)
SFr	1.5405	(1.5355)
Y	120.8	(120.25)
$ Index	67.0	(66.9)
Tokyo close Y 120.45		

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SA pact may lead to government of national unity

By Patti Waldmeir in Cape Town

A LANDMARK agreement in South Africa which could lead to a power-sharing government of national unity has been reached between Pretoria and the African National Congress.

The outline pact on the country's constitutional future – concluded after protracted talks – allows multi-party constitutional talks to resume within a fortnight after a nine-month hiatus.

The agreement follows the ANC's decision late last year to postpone pushing for majority rule in favour of power-sharing. It represents the most important step in the country's peace process since the release of Mr Nelson Mandela in 1990 and the all-white referendum last year which endorsed President F W de Klerk's negotiating strategy.

At the end of this month, groups from across the political spectrum will meet to try to establish a new multi-party negotiating forum to replace the Convention for a Democratic South Africa (Codesa) which collapsed in acrimony last May.

The ANC and the government will go to these talks with a joint stand on crucial constitutional issues, including agreement that a power-sharing "government of national unity" should rule South Africa for five years after the first multi-racial elections, due to be held next April.

However, many hurdles need to be overcome before this agreement can be implemented: the ANC's negotiating team must get the endorsement of the organisation's policy-making national executive committee; government negotiators must get approval from the Cabinet; and, even more critically, Chief Mangosuthu Buthelezi's mainly Zulu Inkatha Freedom party and other political parties from right and left must approve the deal, or be over-ruled with a risk of violence.

The government and Inkatha will meet for three days of bilateral negotiations next week.

Agreement between the ANC and the ruling National party, the two main political players, is the first step to a solution. Negotiators from both sides stressed that though details had not been agreed on many crucial matters, the main stumbling blocks to formal agreement between the two parties had been removed during a three-day meeting which ended yesterday in Cape Town.

The two sides reached broad agreement on devolution of power to regional governments (though detailed agreement may yet prove difficult), and agreed that consensus in detail should be reached on this issue before a constituent assembly is elected – a key National party demand. The National party also agreed to be flexible on the issue of power-sharing under a permanent constitution.

Yesterday's deal involves a five-year "sunset clause" during which white and black will share power in a multi-party cabinet.

Lamont rules out further interest rate cut to spur economic recovery

Inflation rate falls to 1.7%

By Peter Marsh and Antonia Sharpe in London and David Waller in Frankfurt

A FURTHER CUT in interest rates to spur economic recovery in Britain was ruled out yesterday by Mr Norman Lamont, the Chancellor, despite the biggest monthly drop in inflation for nearly 35 years.

The fall in the headline inflation rate in January to 1.7 per cent from 2.6 per cent in December was welcomed by both the Chancellor and Mr John Major, prime minister.

The government demonstrated its resolve to continue its fight against inflation by announcing pay rises for hundreds of thousands of public workers limited to around 1.5 per cent.

Within hours of the Prime Minister making the announcement in the House of Commons, health union negotiators refused to accept the award for Britain's 600,000 nurses, midwives and health visitors.

Mr Eddie George, deputy governor of the Bank of England who takes over as governor in July, warned that interest rates would be raised if the pound were to weaken "substantially" from its current level. Speaking to journalists in Frankfurt yesterday, he gave no indication of what level sterling would have to reach before this happened.

Mr George also said that the pound would be helped if the government and parliament were to declare that the Bank of England should be made independent of government.

Despite the bid by Mr Lamont and Mr George to boost sterling, many in the City believe that the need to spur UK growth will push the government into cutting interest rates from 6 per cent around Budget day on March 16.

The cost of low inflation

The pound closed last night up half a pfennig on the day against the D-Mark at DM2.3575. Before the European markets opened, it had earlier dipped to a new all-time trading low of DM2.3245. Against the dollar sterling closed little changed at $1.4180.

Buoyed by inflation news, the gilt market had one of its best days in recent months, with long-dated securities gaining nearly 2 points.

In a statement Mr Lamont said: "The task now is to consolidate this progress and maintain downward pressure on underlying inflation. Interest rates will be set to achieve that objective. On the basis of all the available evidence I do not believe that there is any scope for a further reduction in interest rates."

The inflation figures did not impress Mr Gordon Brown, the Labour shadow chancellor. He said they reflected the fact that people were "not buying anything or producing anything", with the economy still stuck in recession.

The 0.9 per cent fall in the retail prices index between December and January was the biggest monthly drop for nearly 35 years.

The year-on-year rise in the RPI last month was the lowest since September 1967. Britain now has the lowest headline inflation rate in the European Community apart from Denmark.

News of the reduction in inflationary pressures, which the government hopes will ultimately provide a platform for steady economic expansion, came even allowing for the 15 per cent depreciation in sterling since it dropped out of the European exchange rate mechanism last September.

The Central Statistical Office said there was as yet no sign that rising import prices resulting from the devaluation had fed through to increased prices at the retail level.

Further good news for Mr Lamont was that the RPI excluding mortgage payments – the Treasury's favoured measure for underlying inflation – dropped by 0.5 per cent in the month to January, the biggest fall since the CSO started records in 1975.

Mr Norman Lamont, the chancellor, has ruled out further rate cuts in an effort to boost the pound, despite a 0.9% fall in the inflation rate

Major's 'classless' honours plan angers forces chiefs

By Philip Stephens and David White

LOLLIPOP LADIES, postmen and shop-floor workers are to be accorded the same status as bank managers, headteachers and office managers under Mr John Major's plans to revamp the honours system.

But generals, admirals and air marshals have voiced indignant opposition to the prime minister's attempt to inject his vision of a classless society into the twice-yearly distribution of royal awards.

The British Empire Medal (BEM), the traditional royal recognition of active citizenship by members of the working class, will be abolished later this year.

Instead the nation's humbler citizens will be eligible for the MBE (Member of the British Empire), hitherto reserved for the genteel inhabitants of middle-class suburbia.

The class-conscious armed forces chiefs have lined up in Whitehall negotiations against Downing Street's plan to deprive the top brass in the officers' mess of the automatic right to a knighthood.

At the heart of Mr Major's recommendations to the Queen on reform of the honours system is a plan to apply a little more equality when rewarding service to the community by the great, the good and the plain humble.

Under the present arrangements a baker judged to be

Continued on Page 24

Elf Aquitaine ordered to shelve staff relocation plan

By William Dawkins in Paris

THE French government has ordered Elf Aquitaine, the public sector oil group, to shelve the planned closure and relocation of a 450-staff laboratory and industrial site, in a rebuff to the autonomy of one of France's largest companies.

This is the latest in a series of clashes between the public administration and Mr Loïk Le Floch-Prigent, Elf's chairman, who has attempted to resist state intervention in the company since taking the post in mid-1989.

It reflects the Socialist administration's growing anxiety over job losses as it strives to lessen the defeat it faces in next month's general election. The site at Boussens in south-west France is in the heart of a strong Socialist area, although the plans have provoked protests from all sides of politics.

Although the move involves no job losses, unlike Hoover's recent controversial decision to close a plant near Dijon, Mr Paul Quilès, the interior minister, yesterday said it would have "grave consequences" for the future of the region near the site. Mr Quilès is standing as a Socialist candidate in the nearby constituency of Tarn in next month's election.

Elf yesterday insisted it had begun consultations on the relocation but had not made a final decision. The company hoped a negotiated solution with the government was possible. Elf is 51.5 per cent state-owned, with the rest of its shares quoted on stock markets in New York and Paris.

Elf was planning to transfer the jobs on the site, an environmental laboratory and administration office, to other Elf offices in the south-west. The move was designed to save FFr100m (£12.6m) a year. Elf said it felt its plan had not been properly understood.

Mr Quilès said the prime minister had instructed Mr Le Floch-Prigent "to cancel the decision" because the move "posed a

Continued on Page 24
Floating franc idea sinks, Page 3

Peugeot UK workers vote to strike

PEUGEOT UK faces a full-scale stoppage after a secret ballot by 3,600 production workers yesterday rejected the company's pay offer.

Convenors and local officials at Coventry will consider this weekend when to launch the strike, to press workers' demands for a "substantial" pay rise on the eve of the launch of a new model at Peugeot.

Peugeot workers rejected the company's two-year 7.5 per cent pay rise offer with 3.5 per cent this year and the rest in 1994 by a margin of 3 to 1. Mr Duncan Simpson, Coventry district secretary of the Amalgamated Engineering and Electrical Union, said last night that no further discussions were planned.

Peugeot UK is the second large company in Britain to face a strike over pay. Workers at the Yarrow shipyard on Clydeside went on indefinite strike last week. Report, Page 24

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Austria Sch30; Bahrain Din1.000; Bermuda $1.65; Belgium BFr60; China Fac 13.0; Canada C$1.40; Cyprus C£1.00; Czech Rep Kcs45; Denmark DKr16.00; Egypt E£4.50; Finland Fmk12; France FFr8.50; Germany DM3.20; Greece Dr200; Hong Kong HK$16; Hungary Ft162; Iceland IKr180; India Rup40; Indonesia Rp3,600; Israel NS5.90; Italy L2700; Japan Y600; Jordan JD1.20; Korea Won 2500; Kuwait Fils.600; Lebanon $US1.25; Luxembourg LFr60; Malaysia Rin4.50; Malta Lm0.60; Morocco Dh11.00; Nigeria Naira20.00; Netherlands Fl3.75; Norway NKr18.00; Oman OR1.25; Pakistan Rs35; Philippines Peso 40; Poland Zl 22,000; Portugal Esc215; Qatar QR12.00; S.Arabia Rls9.00; Singapore S$4.10; Slovak Rep Kcs45; Spain Pta200; Sri Lanka Rup30; Sweden SKr15.00; Switzerland SFr3.30; Taiwan NT$65; Thailand Bht50; Tunisia Din1.000; Turkey L7000; UAE Dh8.00; USA $1.25 (Alaska & Hawaii $1.75)

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Brittan tells US of trade war dangers

By Nancy Dunne in Washington

SIR Leon Brittan, the EC external trade commissioner, yesterday ended two high-profile days of talks urging Clinton Administration officials and American businessmen to renew efforts to complete the long-stalled Uruguay Round.

In a day of meetings and interviews, he said "the chemistry" between him and Mr Mickey Kantor, the US Trade Representative, had been "excellent," and the two now intended to bring fresh vision to the Round.

"My feeling is that I have been successful in alerting key figures in the administration, Congress and the media as to the dangers of a trade war," Sir Leon said.

For his part, Mr Kantor's tough rhetoric on trade seemed little changed after his meeting with Sir Leon.

Clearly Sir Leon's visit was an exercise in damage control. He deftly obscured the growing list of bilateral conflicts by making much of President Clinton's long expected support for an extension of his fast-track negotiating authority. This must be agreed by Congress, so the Administration can submit an unamendable trade agreement.

Sir Leon said Mr Kantor had agreed to come to Brussels "at his earliest convenience" and he would be in Washington again in April. "The momentum is there," he said. "The battle to secure an agreement that is for the benefit of the whole world is on."

Although the two sides are agreeing to move ahead on the Gatt, the Clinton Administration is still threatening to "look closely" at agreements concluded with the Bush Administration. Sir Leon was in the country less than three hours before President Bill Clinton fired a volley at the bilateral Airbus agreement, saying he would not "roll over and play dead" if the EC continues to subsidise aircraft development.

Mr Kantor yesterday rejected claims made in January by the outgoing Bush Administration that the US and EC had come close to agreement on tariff reductions.

"Frankly, I was surprised that as the last Administration ended, it appeared they were close to an agreement – in fact, as far as we're concerned, we're not close at all," he said. The US still has "problems" with sections in the draft dealing with intellectual property, services, and anti-dumping as well as the agriculture reform deal worked out bilaterally with the EC.

Sir Leo urged American officials to keep the final draft "uncluttered". He said: "It would be a tragedy to throw away what has been achieved."

Sir Leon did his best to sort out the bilateral conflicts from the Gatt arena. He said government procurement would be discussed bilaterally next week, and the EC would take the US to the Gatt to discuss its steel tariffs.

There has been talk in Washington that Congress may attach to a renewal of the fast track the Super 301 legislation which has been strongly criticised by US trading partners. Sir Leon urged a simple renewal and an early conclusion to the talks.

The imminent expiry of this authority has raised fears of a collapse in Uruguay Round negotiations, and a descent into trade war. Renewal will provide further time for the new US administration to clarify its trade priorities, but does not in itself suggest President Clinton has been convinced a deal is reachable.

THE PERKS WAR: Who is cutting back at the top

WITH growth rates falling and budget deficits soaring across the industrialised world, governments are facing pressure from electorates to tone down extravagance.

Lavish life-styles of political leaders and their staff, though acceptable when economies are booming, can become a political liability at a time of recession.

President Bill Clinton this week has launched a campaign to trim fringe benefits in his new administration, in a bid to show Americans that thrift can provide the key to economic regeneration. Unlike government leaders elsewhere, Mr Clinton is rather too new in office to have frozen his own pay packet.

In other countries, politicians and civil servants have been feeling the squeeze for some time.

One big question is whether the Group of Seven leading economies will mount a show of austerity when the extravaganza of the annual G.7 summit takes place in Tokyo in July – or whether the expensive show will go on as normal.

America's Bill Clinton

The perks of office are not the flavour of the week in Washington, writes **Jurek Martin.** Bill Clinton's Cabinet has been laying waste to many of them, abolishing executive dining rooms, restricting access to chauffeured limousines, limiting magazine subscriptions, closing riding stables in Virginia and enforcing economy air travel.

The Clinton family has not benefited financially from the move to Washington. Bill's salary has gone up to $200,000 (£132,000) from $35,000, but Hillary's estimated $150,000 a year as a lawyer has disappeared, even though her workload has not, and Chelsea, state-educated in Arkansas, is now in a $14,000 a year private school.

Less prominent government employees are now facing up to harsher times. Under the new ethical standards, government employees can only accept free lunches from reporters if they cost less than $20 a year.

This week's campaign was predictable for a populist president intent on setting a good budgetary example, especially after all the criticism of Congress's perks. The Clintons do not have expensive tastes, but they have the bowling alley, the tennis court and use of the ultimate perk, Air Force One.

Canada's Brian Mulroney

Mr Brian Mulroney, the Canadian prime minister, is on a salary of C$138,000 (£77,530) – now frozen, like other ministers' pay, until 1995, writes **Bernard Simon in Toronto.**

"We discovered economy before the Americans did," says an official at the Treasury Board in Ottawa, the agency which oversees Canadian government spending. As long ago as 1984, the prime minister took a 15 per cent pay cut, with other ministers' salaries being reduced by 10 per cent.

For the next seven years, the rise in salaries was capped by a formula which, in essence, was the consumer price index minus one percentage point. But ministerial pay was cut again – by 5 per cent – in February 1992, and is due to remain pegged until 1995.

For the past two years, use of government aircraft by cabinet ministers has been all but banned for trips to any place served by commercial airlines.

Two of the government's eight Challenger executive jets have been converted for search and rescue missions on the east coast.

On commercial flights, ministers must use business-class. Each minister is supplied with a car and driver, but any use outside official duties is a taxable benefit.

Japan's Kiichi Miyazawa

There is little sign that the Japanese economic crisis has been denting ministerial well-being, writes **Robert Thomson in Tokyo.** Mr Kiichi Miyazawa, the prime minister, whose annual pay (including bonus) is Y43.1m (£229,000), recorded a Y5m rise in assets to Y149.45m during his first year in office, in spite of the stock and property market collapse.

Wining and dining of Japanese politicians and bureaucrats has taken a slight turn for the austere, because Japanese companies have been slashing their entertainment budgets. In general, though, the fringe benefits of government have been maintained in spite of the downturn.

An important perk of office in Japan is to allow yourself to be entertained at somebody else's expense. The recession has forced most leading companies to cut their entertainment budgets by 20 to 30 per cent. Ministers' salaries are generally not an issue, even though the average worker is earning less overtime and has annual bonuses capped. Japanese political scandals are normally founded not on the greed of an individual politician, but the need of faction leaders to gather enough funds to keep their political machines moving.

Britain's John Major

Mr John Major, the British prime minister, is not – in contrast to his predecessor, Mrs Margaret Thatcher – endowed with a millionaire spouse. Up to now, he has not felt able to afford her grand gesture of waiving an annual pay rise, writes **Ivo Dawnay.**

Nonetheless, the perilous state of the exchequer this year forced all members of parliament and ministers to agree a zero pay rise for 1992/93. Mr Major's remuneration thus remains fixed at £76,000.

Sandwiches, teabags and instant coffee are the main fare at London's premier political residence, all paid out of of private purses.

Outside, ministers drew up in strictly graded cars – Jaguars for the grandee secretaries of state, low powered Rovers for the less distinguished and humble Ford family saloons for the lowest orders. Most ministers tend to sit alongside their drivers in the front.

As for ministerial expense accounts, British government ethics dictate that while journalists, lobbyists and businessmen can wine and dine their contacts, it would be immoral for the transaction to take place the other way round. After all, that would be squandering taxpayers' money.

Germany's Helmut Kohl

The German Chancellor, Helmut Kohl, anxious to set an example of belt-tightening, will keep his annual salary of DM450,000 (£187,000) unchanged in 1993, writes **Judy Dempsey in Berlin.**

In a climate of concern about the recession, politicians' pay increases have come under growing scrutiny. Members of parliament last month received a pay increase of less than 2.2 per cent, well below the 4 per cent rate of inflation. Ministers, who earn an annual gross income of DM390,000, and parliamentary state secretaries, will receive no pay increase for the second consecutive year. Bonn fringe benefits are already kept under relatively tight control. Three categories of government official have access to a car with driver: a department head, a state secretary, and of course, a minister. But these officials are taxed for the kilometres they are driven either from home to work, or to meetings.

In the civil service, still regarded as offering life-time employment, officials who do not pay unemployment benefit contributions from their salaries are expected to be granted a pay increase of about 2.5 per cent this year while civil servants who pay contributions will receive a rise of 3 per cent.

France's François Mitterrand

President François Mitterrand is making his own modest contribution to promoting rigueur in Paris, writes **William Dawkins in Paris.** His salary – FFr433,436 (£54,500) last year – is being raised 1.8 per cent this year, in line with the low increase coming into effect this month for French civil service pay.

France's army of 5m public administration employees already live in relative austerity by comparison with politicians, who commonly receive favours in cash and kind from friends and supporters. Mr Pierre Bérégovoy, the prime minister, admitted recently receiving a FFr1m interest-free loan from a friend.

The civil service, by contrast, is starting to feel the pinch. The state is to cut just over 4 per cent from the running costs of the public service this year, though this will not come from officials' salaries.

On paper, it looks as if the public administration is generously paid, with advantages in kind. Some 12,000 cars are reserved for senior civil servants, while 2m state-funded homes are allocated to public employees. Most of these, however, are humble appartments allocated to school teachers and hospital staff. Worse still, all benefits of this kind are taxed.

Italy's Giuliano Amato

Prof Giuliano Amato, the Italian prime minister, who receives an annual salary believed to total L78m (£35,840), has presided over a move towards unfamiliar austerity in Rome, writes **Robert Graham in Rome.**

The free spending habits of Italy's body politic have been checked, with salaries and allowances of members of parliament frozen, and perks cut back.

The most important innovation has been to end the practice of deputies who are civil servants – doctors, teachers, university professors, lawyers etc – from claiming two salaries.

Until now they received their civil servants pay as well as their parliamentary salaries, but this year they must opt for one or the other. A total of 310 out of 945 senators and members of the chamber of deputies are affected.

In parliament, checks have been placed on foreign travel. In the prime minister's office, the number of official cars has been cut from 110 to 40.

The number of newspapers received daily has been reduced from 200 to 100, and staff are also subject to limits on the number of newspapers for which they can claim.

EC surprised by Clinton's attack on Airbus subsidies

By David Gardner in Brussels

EUROPEAN Commission officials reacted with a mixture of anger and surprise to President Bill Clinton's attack on EC subsidies for Airbus, describing it as an unhelpful addition to the growing tension in transatlantic trade relations.

"Either the Europeans are going to have to quit subsidising Airbus ... or we're going to have to take on the competition. I'm not going to roll over and play dead," Mr Clinton told a televised "town meeting" on Wednesday night.

Very much against the odds the EC and the US last year reached an agreement on limiting subsidies to their respective civil aviation industries, and it came into force last July.

"We have an agreement with the Americans and we hope they stick to it," was the official reaction of Sir Leon Brittan, EC trade commissioner, according to his spokesman.

Brussels is playing down Mr Clinton's remarks – made at a televised "town meeting" in Detroit – as a heat of the moment reaction. "It seems as though he was shooting from the hip a bit," one Commission official said.

Officials add that since the subsidies agreement last July, there has been no new state-subsidised civil aircraft programme in the Community. Rehashing the old arguments about Airbus is "sterile", one official said, and merely reflected the European consortium's increasing success in winning world market share from its two US competitors, Boeing and McDonnell Douglas.

One Commission official insisted that, in any case, US civil aviation subsidies far exceeded EC subventions. "They say we have spent $15bn in direct subsidies," said one official. "We don't accept that and in any case that figure includes cumulative interest. The US civil aeronautics industry has benefited from about $22bn in indirect support from defence spending over the past decade; and if we accumulated their interest it would be nearer $30bn," he added.

Senior US trade officials negotiating the Uruguay Round with the Community on behalf of the Bush administration last year made clear as part of their bargaining stance that they had come under a lot of pressure from industry, trades unions and Congress for the aviation subsidies agreement.

One Brussels official said yesterday that the Clinton administration might seek to renegotiate the terms of the accord as part of a settlement of all current EC-US trade disputes.

Croat backing on UN force likely

By Robert Mauthner in New York

CROATIA is expected to accept a recommendation by Mr Boutros Boutros Ghali, the United Nations secretary general, to renew the mandate for the 14,000-strong UN Protection Force in Croatia – which expires on February 21 – for an interim period only, ending on March 31.

In a report to the Security Council, Mr Boutros Ghali said he could not, for the moment, recommend extending the mandate for a longer period.

This was because of the unstable situation created by the recent Croatian military offensive in the Krajina region and, more fundamentally, the failure to implement fully the original peace-keeping plan of January 1992.

The report is due to be discussed by the Council at the end of next week.

The secretary general said he had asked the co-chairmen of the conference on the former Yugoslavia, Mr Cyrus Vance and Lord Owen, to address these basic problems urgently so conditions could be established for a "substantive" extension of the mandate.

Mr Boutros Ghali's report blames both sides for the renewed fighting in the region.

"Even if the (Croatian) government had some reason to be impatient with the local Serb leadership's obstruction of the original peace-keeping plan, its offensive has had a devastating effect on co-operation between UNPROFOR and the local Serb authorities at all levels and has put in doubt the feasibility of a return to the original plan."

Under the terms of that plan, UN peace-keeping troops were deployed in three UN protected areas in Croatia, corresponding largely to areas where inter-communal tensions had led to armed conflict.

Other important provisions were the withdrawal of the federal Yugoslav army from the whole of Croatia, the demilitarisation of the UN protected areas and the continued functioning, on an interim basis, of existing local authorities and police under UN supervision.

The secretary general's report makes clear that, while the withdrawal of the Yugoslav army had been ensured, the non-co-operation of the local Serb authorities had prevented the demilitarisation of the protected areas and the disarming of the Serb territorial defence and irregular forces.

Serb hostility to UNPROFOR, on the other hand, had been inflamed by the Croatian offensive, since the local Serb leadership felt "betrayed" by what it sees as the UN's failure to protect them.

"Neither the Croatian government's position that an overall political solution already exists, nor the local Serb authorities' demand that they be recognised as an independent republic provides a solution to the conflict," the report states.

"Instead, these positions, if maintained, could lead to large-scale hostilities."

Examining the various options for a future extension of the UNPROFOR mandate, Mr Boutros Ghali underlines the problems of giving the force more teeth.

The mere adoption of an enforcement resolution by the Security Council risked threatening the safety and security of UN peace-keeping personnel in the protected areas.

Russia welcomed the arrival in Moscow of Mr Reginald Bartholomew, US special envoy on Yugoslavia, saying his appointment complemented Russian peace-making efforts, writes Leyla Boulton in Moscow.

Ahead of talks today with Mr Bartholomew, Mr Andrei Kozyrev, the Russian foreign minister, said he would call for an end to sanctions against Serbia.

He reiterated threats to call for sanctions against Croatia unless it fell into line with peace-making efforts and said Russia was "working with Moslems in Bosnia to explain that the use of force is inadmissible".

A French soldier helps a mother and child among handicapped and sick children being evacuated from Sarajevo yesterday

UN steps up aid drive in Bosnia

By Laura Silber in Belgrade

THE United Nations yesterday launched a humanitarian offensive following the Bosnian government decision to reject aid for Sarajevo until further emergency relief reached Moslem enclaves besieged by Serb forces.

UN officials blamed all three sides – Serbs, Croats and Moslems – for sabotaging the delivery of humanitarian aid, but singled out Serb leaders for blocking relief to besieged Moslem enclaves in eastern Bosnia.

Mr Jose Maria Mendiluce, the special envoy of the High Commissioner for Refugees (UNHCR), pledged to step up pressure on the leaders of Bosnia's three ethnic groups as well as their patrons in Croatia and Serbia to ensure that aid reaches the victims of the ten-month war.

"We cannot wait for a political solution while people are dying, suffering, being expelled and subject to all kinds of violence and harassment," he said in Belgrade, the federal capital.

He vowed to push ahead with relief deliveries regardless of whether warring leaders gave their permission to pass. He said: "We will present Serb leaders with a schedule of convoys. . . and explain the need to reach all besieged enclaves with no restrictions" at a meeting on Sunday in Pale, the Serb mountain stronghold near Sarajevo.

Mr Mendiluce estimated that up to 200,000 people were trapped by the Serb stranglehold of the Moslem pockets in eastern Bosnia. "The food situation in some of the areas is as dramatic as in Sarajevo. . . there is a complete lack of medical supplies."

He dismissed as "cynical" the claim by Bosnian Serb leaders that they had opened a humanitarian corridor for refugees from Cerska, in the hills over the River Drina, to Tuzla, 100 miles north-east of Sarajevo. "We see it as an ethnic cleansing corridor," he said.

"They crossed the front line of minefields, under enemy fire without any belongings in freezing temperatures," he said of the 6,000 refugees, many of whom arrived in Tuzla suffering frostbite, scabies, head lice and hepatitis.

He said Tuzla had also threatened to join the boycott of UNHCR aid called by the Bosnian government on Thursday. The government said it would accept no more aid for Sarajevo out of solidarity for people cut off from the outside world by the Serb siege.

Mr Mendiluce said relief workers faced a harrowing task delivering aid in Bosnia. "This is a very serious humanitarian tragedy. . . We will go ahead despite the risks, the shelling, shooting and all threats we are suffering every day when just trying to feed women, children and the elderly," he said.

"The UNHCR in its 41-year history has never been in a situation so radicalised, so polarised with such a high level of hatred and lack of humanitarian behaviour."

As Mr Mendiluce appealed to all sides to allow the humanitarian aid to reach some 3m people, clashes continued in neighbouring Croatia and Bosnia. Croat and Serb forces fought artillery duels in the Dalmatian hinterland around Maslenica, which was seized in a Croat offensive last month. Fighting was also reported between Serb and Moslem fighters in northern and eastern Bosnia.

Artillery barrages on Sarajevo yesterday appeared to ease after fierce fighting on Thursday. A French UN soldier died from injuries he and three compatriots suffered at the city airport, bringing the death toll to 27 UN peacekeepers in Bosnia and Croatia.

Serbs agree to join talks at UN

INTERNATIONAL mediator Lord Owen said yesterday that talks between the Croatian government and Serbs would begin at the United Nations next week in an effort to renew a peace agreement blown apart in recent fighting, Reuter reports from the United Nations.

He said that Serbs in the Croatian enclave of Krajina who had earlier boycotted such negotiations had now agreed to attend peace talks at the UN in New York.

"The Serbian authorities from Krajina are coming here on Monday and ready to work on Tuesday," he said.

Croatia's defence minister, Mr Gojko Susak, spoke to Lord Owen and Mr Cyrus Vance, co-chairmen of a conference on the former Yugoslavia, last week. But Lord Owen said initial discussions would be with Croatian Serbs alone.

The Croatia meetings, he said, would be parallel to talks on Bosnia-Hercegovina which are expected to resume in the middle of next week after the new US envoy, Mr Reginald Bartholomew, arrives in New York.

Mr Boutros Boutros Ghali, the UN secretary-general, in a report to the Security Council has proposed lengthening the mandate of UN peacekeepers in Croatia by six weeks to give Mr Vance and Lord Owen an opportunity to break the impasse.

Lord Owen said the negotiations would consider the mandate, criticised by Croatia and others as being too weak to allow peace-keepers to prevent violations.

But he said it was up to the Security Council and did not say how he wanted it changed. He told reporters he thought there was no chance the troops would be withdrawn.

"It is the question of how you reflect a national identity within a country in which you are a minority," Lord Owen said.

"This is what will have to be done for Serbs in Bosnia-Hercegovina, for Serbs in Croatia, for Albanians in Kosovo."

Powell plan unveiled

THE chairman of the US Joint Chiefs of Staff unveiled a plan yesterday for a post-Cold War military that calls for consolidating all US-based forces so as to better meet crises at home and United Nations peacekeeping missions abroad, Reuter reports from Washington.

In a report billed as his own strategic blueprint for the armed forces, General Colin Powell stressed the need to join some elements of the military to save money and gain efficiency, such as consolidating depot maintenance functions, but left others intact, including the four separate air forces of the Air Force, Army, Marines and Navy.

"The report should be seen as a snapshot – a snapshot in a continuous process of self-evaluation," Gen Powell said.

The main points were to maintain US commitments around the world and the quality of the military, emphasise US technological superiority, adjust to the "changing security environment" in the post-Cold War world and further trim military programmes.

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Germans press on with defence cuts

By Ariane Genillard in Bonn

MR Volker Rühe, the German defence minister, yesterday unveiled details of a first round of budget cuts in defence spending which will save an estimated DM700m (£300m) over the next few years.

The expected cuts are part of the post-unification decision to reduce the German army to 370,000 men by 1995 and lower its budget to under DM50bn by the end of the year.

Additional rounds of cuts are expected after the federal government recently raised 1993 defence savings to DM863m.

The cuts are part of the federal government's attempt to cut spending and find revenues to rebuild eastern germany. It had originally set this year's cut at DM300m but decided to raise this amount rather than go ahead with an unpopular move to means test children's allowances.

The planned cuts will reduce or close down 35 garrisons in both the eastern and western parts of the country out of the 745 garrisons of the German Bundeswehr.

The largest savings, set at DM350m, will come from the scrapping of a large military exercise area in Wünsdorf, near Berlin.

The military base there is currently still occupied by Russian soldiers, who are due to return home by the end of next year.

Other cuts include the closure of one of the four main naval bases in the country.

The naval base, in Opelnitz, in the northern state of Schleswig-Holstein, will be gradually closed down, with its fast petrol boats transferred to the marine base of Waroemünde near the east German town of Rostock.

The cuts do not include an immediate reduction in army personnel.

A spokesman at the defence ministry in Bonn said that the military personnel posted in garrisons due to be closed would be transferred to other bases.

But the defence ministry will continue seeking additional ways to make cuts.

Mr Rühe is due to review staffing levels in the Bundeswehr after Chancellor Helmut Kohl announced last weekend that personnel cuts could be made below the planned level of 370,000 men by 1995.

Energy utility companies' monopoly under challenge

By Judy Dempsey in Berlin

THE right of Germany's large utility companies to be the sole providers of energy in urban areas has been challenged by the Bundeskartellamt, the federal cartel office.

In a move which could start to open Germany's energy market to foreign competition, the Bundeskartellamt said RWE Energie AG Essen, one of the country's three main utility companies, "had not the exclusive right to provide" energy to the town of Kleve, on the German-Dutch border.

Mr Dieter Wolf, president of the Bundeskartellamt, said the relationship between local communities, towns and state utility companies, whereby utility companies had the sole, automatic right to provide power, contravened European Community competition policy. But he added that Brussels had not yet agreed how far it would go in breaking down these monopolies.

"If towns want to buy energy from other countries, and if neighbouring countries want to supply them, then these communities should have the choice," a Bundeskartellamt official said.

However, even if there is reform over the next few months, analysts believe Germany's three utility companies will in practice retain the monopoly.

"Both the town, and any new supplier would have to invest a great deal – in some cases we would be talking about a new grid system," an analyst said. "Furthermore, a certain amount of co-operation would be needed from the German utility companies themselves. I cannot see the utility companies competing against each other," he added.

The outcome will be watched closely by the local authorities in eastern Germany which are challenging the terms of the unification treaty which essentially gave west German companies the monopoly.

'Safe' leader to replace Craxi

By Robert Graham in Rome

A BITTERLY divided Socialist Party yesterday chose Mr Giorgio Benvenuto, a former trade union leader, as a compromise candidate to become secretary-general following the resignation on Thursday of Mr Bettino Craxi.

The choice of the dour 55-year-old Mr Benvenuto underlined the turmoil in the party as a result of poor performance at the polls and damage caused by the Milan corruption scandal. Mr Benvenuto, for 14 years leader of the UIL, the Socialist-controlled trades union confederation, emerged as a possible successor to Mr Craxi earlier this month.

According to party insiders, he was chosen as a "safe pair of hands", winning out against Mr Valdo Spini, a 47 year-old protestant intellectual on the left of the party. Mr Benvenuto got 306 votes against 223 for Mr Spini, with 14 other votes either invalid or blank.

Mr Spini lost out because he became from a minority faction and his opponents considered him likely to take an active part in redefining the party's role. In contrast Mr Benvenuto, as 26th secretary-general since the party reconstituted itself in 1943, is not expected to impose his own views so strongly on the party. His chief virtue is his proven integrity and honesty.

Coming from a middle class family near Naples (his father was an admiral), Mr Benvenuto studied law but on graduating joined the trade union movement through the UIL 18 months ago, earning the reputation of a dogged but moderate negotiator. Latterly he has been working in a specially created post of director general in the finance ministry, helping to propagandise tax reforms.

Mr Craxi was obliged to step down after having lost the confidence of the party and when he faced six warrants from Milan magistrates advising him he was under investigation for alleged corruption.

The election was also conditioned both by the refusal of Mr Giuliano Amato to mix the office of prime minister with the party leadership, and by Wednesday's resignation of Mr Claudio Martelli, the justice minister, once considered the front-runner.

The Socialists got 5.3m votes, 13 per cent of the total, in last April's elections. But since then, on the basis of municipal polls, the percentage has slipped to below 10 per cent, and it has lost many paid-up members.

● Mr Amato last night announced Mr Giovanni Conso, a distinguished judge and a leading criminal law expert, had been appointed justice minister to replace Mr Martelli.

Bettino Craxi casts his vote in the ballot for his successor as Socialist Party chief

Thousands cheated of Russian vouchers

By Leyla Boulton in Moscow

RUSSIAN investors yesterday blocked roads in St Petersburg demanding their money back from fraudsters who have cheated a third of a million of the city's inhabitants of privatisation vouchers.

It is the first big scandal to hit Russia's mass privatisation campaign. Investors demonstrated near the offices of companies that promised big returns in exchange for the vouchers but which have since disappeared. At least 350,000 people are believed to have lost their vouchers this way. The vouchers entitle holders to Rbs10,000 worth of shares in privatised companies.

Five or so companies, one of them called Revenge, collected the vouchers late last year with a promise to return them in February with a Rbs12,000 bonus.

But when the individuals, one of them an engineer at the Lomo optical plant who recalls giving away a kilogramme of sausage to jump the queue to sign up to the scheme, went to pick up their vouchers and money, the companies had vanished without at trace.

Police, overwhelmed with claims from the victims, have appealed to the population for patience while Mayor Anatoly Sobchak has promised people will get their vouchers back. "Look after your vouchers" screamed a frontpage headline this week in the St Petersburg Gazette, which published a list of the eight licensed investment funds allowed to invest vouchers on behalf of ordinary citizens.

The free distribution of vouchers to every Russian citizen was completed last month.

Spain cuts rates by a quarter point

By Tom Burns in Madrid

THE BANK of Spain yesterday cut its benchmark intervention rate by a quarter-point from 13.25 per cent to 13 per cent in a cautious response to last week's reduction in German interest rates.

There was disappointment in the market, which had hoped for a cut of 40 basis points in the rate at the repurchase tender of the bank's certificates.

The bank's caution reflected its view that there could be tension in the monetary system in the run-up to next month's elections in France. "There are imponderables ahead and we are keeping our powder dry," a bank spokesman said.

"It is quite clear that the bank's policy is to protect the peseta against even the slightest risk," said Mr Jose Luis Felto, chief economist at the Madrid securities firm Asesores Bursatiles.

Other analysts also said the authorities were reluctant to move too quickly while the peseta remained potentially vulnerable to speculators. They said the move was probably a way of testing the water on cuts and their impact on the peseta, noting interest rates are still well above desireable levels.

The bank's wariness, particularly in the light of the German reduction, contrasted with its more positive mood three weeks ago when it implamented a half-point cut at the repurchase tender, bringing the key rate down from its 13.75 per cent high in late November. The bank justified that cut by claiming "the progressive normalisation of the currency markets".

The cut yesterday brought the key interest rate back to the level before the Bank of Spain lifted the rate by 75 basis points to 13.75 per cent, a day after the peseta was devalued six per cent on November 22.

Analysts believe that there could be a far more significant cut in Spain next month if the money markets remain steady and the Bundesbank once more eases its rates. There is considerable room for such a reduction as the differential between the peseta and other EMS currencies remains very high.

Fuelling this speculation is the belief that Spain's inflation rate, which stood at 5.4 per cent in December, is poised to register a sharp fall when figures for January and February are published next month. The Jonuary inflation figure has been held over until March because weighting of the different components in the inflation index is being adjusted by the statistics authorities.

Floating franc idea starts to sink

By David Buchan in Paris

Madelin: lost argument

MR Alain Madelin, the leading proponent of a floating franc in the probable next French government, yesterday conceded that he had, at least for the moment, lost his argument for more currency flexibility.

On behalf of his centre-right UDF party, Mr Madelin negotiated with the RPR Gaullists the joint programme which the two parties are pledged to put into effect if, as the polls overwhelmingly suggest, they win the March general election.

This programme, unveiled on Wednesday, commits a new government to "use all necessary means to maintain the value of the currency" including reinforced monetary co-operation with Germany. Asked yesterday how he could reconcile this with his earlier public support for unhooking the franc from the D-mark and therefore from German interest rates, Mr Madelin said he had defended his viewpoint in negotiations inside the opposition.

"I did not succeed in convincing my friends," Mr Madelin said. "Nevertheless they do agree that France cannot tolerate for any length of time interest rates which stifle its economy, push companies into receivership and risk an explosion of unemployment."

The French opposition is effectively calling for greater monetary co-operativeness from Germany. If this is not forthcoming, Mr Madelin's views might gain ground. His influence resides in the fact that, unlike other devaluation proponents in the opposition, be is pro-European and a leader of a mainstream party.

Bangemann firm on European union

By David Gardner in Brussels

COUNTRIES which want to pick and choose which policies of the European union created by Maastricht they want to sign up to "should consider whether they really want to belong to this Community," according to Mr Martin Bangemann, Germany's senior commissioner in Brussels.

Flatly rejecting "any idea of an à *la carte* Europe" as a step back into nationalism which would threaten the Community's survival, Mr Bangemann reiterated his well-known view that "there is no alternative to a European federal state."

His remarks, due to be made at a dinner given in his honour by Bremen city council last night and circulated in English and French in Brussels, made explicit reference to the current problems facing ratification of the treaty, and could provide ammunition for anti-Maastricht forces in the UK and Denmark.

On the eve of last November's narrowly won "paving debate" vote on Maastricht in the House of Commons, Mr Bangemann infuriated the British government with a speech arguing that the treaty was a milestone to a federal European state, and that "more and more decisions can only be taken at European level."

Both the UK and Denmark are attempting to secure ratification on the basis of opt-outs from the treaty, and the German commissioner appeared to be taking square aim at these in his speech, as much as warning EC applicants like Austria, Sweden and Finland that they would have to sign up to the whole treaty.

"A united Europe in which each state is allowed to pick and choose has no realistic chances of survival," Mr Bangemann said. "Those who have other conceptions of the future Europe should consider whether they really want to belong to this Community," he added.

Mr Bangemann's remarks were distinct and sharper in tone from what Commission president Jacques Delors said in his "state of the union" address to the European Parliament on Wednesday. It is the official policy of the 12, laid down by December's Edinburgh summit, that new EC members must accept the full Community "acquis". But Mr Delors distinguished between that and "grandfather rights" of existing members like Denmark and the UK – whose opt-outs he regretted, but said should be seen as an earned "long-service" bonus".

UN asks world's leading companies to join war on drugs

By Ian Hamilton Fazey

THE Uolted Nations is to ask leading companies to watch their share registers for signs that drug barons are trying to launder money through international stock exchanges.

The aim is to pool information to help identify what UN officials believe is one route through which the profits of drug dealing are made legitimate.

Money laundering experts in UN or other international agencies would look for patterns of share buying and selling in international markets by the same, or connected, nominees.

The share register watch would be one function of a partnership the UN wants to form with the private sector worldwide to involve companies in the global war on drugs.

Much of the UN's anti-laundering work is relatively unsophisticated at present, and is related to training police officers in Third World countries.

Apart from helping in the fight against organised crime, companies will also be asked to sponsor public awareness initiatives to reduce demand for illegal drugs, and to support industrial development in the Third World.

UN projects in drug-growing countries have shown that crop-substitution campaigns only work if there is parallel development of economic and physical infrastructure to enable transport and sale of new crops, such as strawberries and vegetables. Large retail chains buying out-of-season prodoce from across the world could help by providing guaranteed markets.

Six large US companies – Exxon, Texaco, Boeing, Delta Airlines, Coca Cola and IBM – have agreed to a preliminary meeting in May in Vienna, where the UN's Drug Control Programme is based. Hoffman La Roche, the Swiss pharmaceuticals company, will also attend.

The May meeting will set an agenda for a large conference in Vienna in October, to which the UN will invite about 200 leading companies. Targets include Fiat, Lufthansa, Philips, Volvo, BP, Hyundai, Canon, Honda, Nissan, Toyota, and Mitsubishi.

The UN wants the private sector partnership to be a forum and information exchange on the world's illegal drug markets so that companies can be more aware of trends in drug production, trafficking, abuse and laundering activities, and how they can help.

A voluntary share register watch is regarded as a potential source of crucial intelligence. Combined with similarly networked intelligence from banks on money transfers, it opens the possibility of tracking back some illegal funds to their sources.

Trackiog is very difficult because nominees – often based in offshore financial centres – can disguise what they are doing by buying many small stakes to fragment their efforts worldwide.

The UN particularly wants co-operation from chemicals and drug companies. The UN already has agreements with them to monitor sales of chemicals needed to refine raw opium and coca, or to manufacture drugs such as LSD and ecstasy.

One way way of cutting down illegal drug production would be to control sales of such chemicals more tightly, although the difficulty is acknowledged of controlling sales of commodity chemicals such as acetone, which is used in cocaine production.

Unita poised to capture crucial city

By Our Foreign Staff

ANGOLA'S rebel Unita movement was yesterday on tbe verge of winning the battle for the central highland city of Huambo as fears grew for the security of the vital oil producing enclave of Cabinda in the north.

Control of Huambo, traditionally a Unita stroughold, would help the rebel campaign in southern Angola and reinforce its hargaining power at peace talks, diplomats in Luanda said yesterday.

A second round of talks between the government and Unita should have taken place in Addis Ababa on Wednesday but was called off at the last minute by the rebels.

"The situation is fluid hut it looks very bleak for the government. It is plausible that Unita could take control within the next two days," a western diplomat said.

Aid workers said thousands of wounded were trapped in Huamho, where the government and Unita have been fighting for more than a mooth.

The hattle is the centrepiece of the war which resumed after Unita rejected its Septemher electoral defeat and began to expel local authorities from 75 per cent of the country in violation of 1991 peace accords.

UN officials were trying to arrange a truce to allow flights of food and medicines the city, which has been devastated hy artillery and air attacks.

But UN special representative Margaret Anstee has been unahle to contact Unita leader Jonas Savimbi whose whereabouts were unknown.

Rebel radio said Unita forces had seized Huambo airport and captured the riot police barracks after heavy fighting.

Tbe government said its hard-pressed troops wera resisting a Unita onsleught, which it said was led by white mercenaries in South African-made armoured cars.

"Fierce clashes have taken place on the outskirts of the government palace and the military academy," it said.

Angola's prime minister, Mr Marcolino Moco, said this week the number of casualties was impossihle to calculate. "All we know is that many, many people have died."

A second diplomat said Unita looked set to capture a string of provincial capitals. "The Portuguese are of the opinion that the government is on the verge of military collapse. They expect that within days if not hours Luena, Cuito, Bie and Menongue will also fall," he said.

Singapore plans big refinery project

By Kieran Cooke in Singapore

BRITISH Petroleum, Caltex and a Singapore company have announced plans to invest S$1.3bn (£548m) in a refinery project in Singapore.

The project involvea conetruction of a residne catalytic cracker at an existing refinery off the main island of Singapore.

The new complex will npgrade low-vaine fuel oils to high-vaine motor gasoline and dieeei fnels which form e growing segment of the market in the Asia Pacific region.

Singapore Petrolenm Company, owned jointly hy Singapore and foreign interests, and Caltex will be the lead investors in tbe project, with BP taking a smaller share.

Singapore is the world's third largest refining centre after Rotterdam and Houston, with e total refining capacity of more than 1m barrels per day (bpd).

The project, dne for completion towards the end of 1995, is the latest step in a multi-million dollar npgrading programme at Singapore's refineries.

Oil industry analysts say that, with the considerehle investments in new plant and eqnipment, Singapore is ensuring it retains its position as Asia's main refining centre.

Brazil tax move unsettles markets

By Christina Lamb in Rio de Janeiro

BRAZIL'S financial markets were in turmoil yesterday as a result of a shock change in accounting rules which will mean higher corporate tax bills.

The accounting decree, announced by President Itamar Franco, apparently without consulting his economic team, was seen as retaliation for protests mounted by the Sao Paulo husiness community on Thursday to hlock a new tax on cheques, crucial in the government's attempts to halance its budget.

The announcement sent the main Sao Paulo stock market index falling 5 per cent in the morning.

The decree overturns e law introduced in June 1991, altering the index used for monetary correction of corporate assets.

Franco: no consultation

The 1991 lew wes an attempt to compenseta for the fact that between 1989 and 1990 successive governments gave figures for monetary correction of assets helow inflation in an attempt to suppress inflationary pressures in the economy.

The result was high profits and consequent over-payment of taxes.

Under the 1991 law companies were required to revalue assets to reflect this difference and could claim back taxes overpaid in tha previous year.

Now officials of the Franco government say that the 1991 law went too far the other way, allowing profit to be presented as losses.

According to the Brazilian inland revenne, the government lost $5.5bn in potential tax revenue last year because of the 1991 law and with abolition will obtain an extra $7bn this year – exactly the amount the government had hoped to raise through the new tax on cheques.

The move wes roundly condemned hy husinessmen, who claimed that the Brazilian tax hurden is already one of the heaviest in the world.

Mr Antoninho Trevisan, a husiness consultant, said: "This will definitely mean companies in Brazil paying more tax and will put them in an even more precarious aituation."

Mr Miguel Jorge, vice president of Autolatina, the holding company for Ford and Volkswagen in Brazil, added: "This certainly looks like retaliation to me."

N Koreans defy nuclear demands

By John Burton in Seoul and Mark Nicholson in Vienna

NORTH KOREA yesterday indicated it would reject a demand hy the Internatiooal Atomic Energy Agency to inspect suspected nuclear facilities.

"In our country there are no nuclear facilities that have not been reported, nor are there any nuclear-related materials hidden," declared the Rodong Shinmun, the newspaper of the ruling Korean Workers' Party.

If Pyongyang refuses the inspection, the issue could eventually be discussed by the United Nations Security Council, which could impose sanctions on North Korea.

Officials at the IAEA in Vienna said Pyongyang had until Monday to epprove a special visit hy the agency's inspectors. "The North Koreans are pretty much under the gun," said one official.

Failure to approve a visit would trigger a meeting later next week of the IAEA's 35-member board to which North Korea would be invited. The IAEA hoard includes the five permanent members of the UN Security Council – the US, UK, France, Russia and China.

Mr Hans Blix, director general of the IEAE, met senior agency officials yesterday to consider what options the board might have in the event of Pyongyang's continued refusal.

The special inspection is the first time in the IAEA's history that it has demanded to examine facilities that have not been declared to be part of a nation's nuclear programme.

South Korean officials regard the IAEA demand as important in increasing pressure on North Korea to allow more nuclear inspections, including challenge inspactions demanded by Seoul.

But they expressed douhts whether China, North Korea's closest ally, would snpport sanctions if the issue reaches the UN Security Council, although Beijing might agree to mediate with Pyongyang to resolve the dispute.

North Korea has refused IAEA inspectors access to two huildings in tha Yongbyon nuclear complex that the agency snspects are nuclear material storage facilities.

Wholesale prices edge up in US

US wholesale prices edged up 0.2 per cent in January, an annual rate of 2 per cent, maintaining the modest pace of 1992, AP reports from Washington. Increased costs for energy and cars helped boost prices.

The January advance was in line with predictions.

Meanwhile, business sales jumped 1.9 per cent in December, the largest gain in more than two years and outpacing a 0.4 per cent increase in inventories.

Polish debt talks

Banks hope to resume talks with Polish negotiators in April to discuss Poland's foreign debt, Reuter reports from Vienna.

Poland has first to pass a budget, resolve government problems and reach agreement, linked to the budget, with the International Monetary Fund.

That would probably take until the end of March.

Hungary reshuffle

Hungarian Prime Minister Jozsef Antall has chosen Industry Minister Ivan Szabo to take over the finance ministry as part of a broader government reshuffle, Reuter reports from Budapest.

On Thursday finance minister Mr Mihaly Kupa resigned saying he did not understand why Mr Antall had asked him to become minister of transportation and telecommunications.

Five other ministers will leave their posts on February 22.

Nepal frees rupee

Nepal said yesterday the Nepali rupee was now a fully convertible currency and revalued it against the Indian rupee, Reuter reports from Kathmandu.

The deputy governor of Nepal's central bank, Mr S P Shrestha, said there would no longer be any official exchange rate.

British Gas top earner says study

By Deborah Hargreaves

BRITISH GAS is probably the most profitable gas transmission and distribution company in the world, according to a study of the international gas business by Sheffield Energy and Resources Information Services, an energy consulting group.

In one of the first international comparisons of gas companies, British Gas came top out of 41 companies worldwide, measured against three key criteria to determine profitability. Second was Ruhrgas, Germany's main gas supplier, and third was Gas Natural of Spain.

The findings are likely to prove controversial since British Gas remains the monopoly supplier to its 18m UK household customers and is under review by the Monopolies and Mergers Commission.

Mr Ian Rutledge, one of the report's authors, said he was "surprised and a bit amused" by the outcome – the company had not planned the study as a contribution to the debate about the future of British Gas.

The three criteria used for judging profitability were: operating profit on the gas transmission part of companies' business, rate of return on gas assets and operating profit per 1,000 cubic feet of gas production. These were combined in a composite profitability index.

The report showed that gas companies were more than twice as profitable in Europe and Australasia as in the US, where intense competition since market deregulation 10 years ago has reduced margins.

Market liberalisation is occurring in many gas industries worldwide and the report found that this was prompting increased internationalisation of the world gas business. More competition had led to a drop in profitability since 1985. The average rate of return for a group of 31 companies fell to 7.8 per cent in 1991 from 10.6 per cent in 1986.

Natural Gas Companies Worldwide. Competition and Performance Indicators. Sheffield Energy and Resources Information Services, 103 Carter Knowle Rd, Sheffield, S7 2DY.

PERFORMANCE OF NATURAL GAS COMPANIES WORLDWIDE IN 1991

Rate of return on gas assets		
1	Ruhrgas	18.4%
2	British Gas	18%
3	Mitchell Energy & Dev (US)	14.4%
Gas operating profit		
1	British Gas	$2.66bn
2	ENI (Italy)	$1.63bn
3	Gaz de France	$815.7m
Operating profit per thousand cubic feet of throughput		
1	Gas Natural (Spain)	$1.64
2	British Gas	$1.31
3	Australian Gas Light	$1.01

Indices are created from the three measures of profitability and the sum of these indices is re-indexed to calculate the final ranking

Source: Sheffield Energy and Resources Information Services

Cost of new road tolls put at £2bn

By Gillian Tett

TOLLS ON Britain's motorways and trunk roads could cost road users £2bn a year, Mr John Prescott, shadow transport secretary, said yesterday.

Commenting on government proposals to hive off responsibility for the roads to a body called Highways Command as a prelude to privatisation, Mr Prescott denounced the tolls as a revenue-raising exercise.

His views were echoed by motorist and freight groups, who insisted that, although they would welcome the creation of a co-ordinating body for roads, privatisation must be matched with new guarantees on road investment.

The AA said: "Motorists are already paying too much road tax." Adding to criticism that the government was failing to provide any clear strategy on roads, the AA added: "If this toll is just for extra tax, then we are dead against it."

Freight companies warned that British industry and commerce might also be hard hit by road charges.

Mr Bryan Colley, director general of the Road Haulage Association, said: "If they are going to introduce road charges then these are going to be passed on to mannfacturers and consumers. Profits are already paper thin."

Fears were expressed that tolls on motorways would force traffic on to minor roads.

Mr Alan Jones, managing director of TNT, whose 3,000 trucks each travel 100,000 miles of British roads each year, said: "I can't see why anyone would want to put tolls on motorways when these roads are designed to take people out of cities. It will just encourage people to go into towns."

Mr Colley suggested that, with road taxes for British freight vehicles already higher than in Europe, new road tolls could weaken the competitiveness of British industry.

Road tax on a 38-tonne British truck is £3,100 a year, against £638 in France and £264 in Spain.

Mr John Guttridge, head of external affairs of the Freight Transport Association, agreed: "Britain is already in a geographically peripheral position compared to Europe. This would make it harder to compete."

Environmental groups have argued that road tolls would encourage use of railways. But road user groups point out that, since most freight trips are less than 50 miles, railways are too inflexible.

For whom the road tolls, Page 8

McMahon attacks 'insult to Bank'

SIR KIT McMahon, a past deputy governor of the Bank of England, has accused the government of delivering a "breathtaking insult" to the Bank in the way that it appointed Mr Rupert Pennant-Rea to occupy his former office, Robert Peston writes.

In the magazine Euromoney he says the appointment of deputy governor Mr Eddie George as governor "must be taken as a compliment to the Bank". He is a "highly professional insider" with an "impeccable (even frightening) hatred of inflation".

But he adds that "the effect [of Mr George's appointment] was rather spoiled by the appointment as deputy governor of an outsider, Rupert Pennant-Rea, editor of the Economist, who, whatever his intrinsic merits may prove to be, has *prima facie* no qualifications for the job and who was approached for the first time that morning". The government's behaviour was a "breathtaking insult to the Bank (and in some ways to Pennant-Rea himself)".

Sir Kit accuses the government of giving the Bank too little independence over the operation of monetary policy and the fight against inflation.

Sir Kit was deputy governor for two years after Mr Robin Leigh-Pemberton, the current governor, took up office in 1983. He is also a former chairman of Midland Bank.

BA and Virgin talks continue

TALKS between British Airways and Virgin Atlantic aimed at reaching a peace deal in the wake of BA's "dirty tricks campaign" are expected to continue throughout the weekend.

Discussions between the two sides continued yesterday and it appears unlikely that they will be concluded until early next week. Progress on reaching an agreement is reported to have been slow.

Virgin is still threatening to pursue action against its competitor unless it is satisfied with BA proposals to compensate it for the commercial damage it claims was inflicted upon its business by BA.

Damages and apology for Major

MR John Major, the prime minister and caterer Ms Clare Latimer were yesterday given a public apology and undisclosed damages from BPCC Magazines (Colchester), printers of the New Statesman magazine, the distributor Comag and newsagents John Menzies.

The High Court was told that they regretted helping to give currency to an article in the magazine linking Mr Major and Ms Latimer.

Age Concern issues council tax briefs

AGE Concern has published briefing papers on the council tax highlighting points of interest to older people. There are three papers to cover the differences in the tax, which is to be introduced in April in England, Scotland and Wales.

The papers include information on the disability reduction scheme, discounts for living alone and the transitional reduction scheme, which is intended to cushion large increases in hills because of the change from the community charge.

The biggest leisure complex in the country, Guildford Spectrum in Surrey, is due to open later this month. It cost £28m to build and will provide 80 jobs

Tony Andrews

Daf receivers shed 1,600 employees

By Kevin Done, David Owen and Robert Taylor

NEARLY a third of the UK workforce of Leyland Daf, the heleaguered commercial vehicle maker, were made redundant yesterday. A total of 1,635 employees lost their jobs at the company's five sites.

The collapsed company's receivers warned that the rest of the workforce would also have to be laid off if components suppliers continued to frustrate attempts to restart production at the truck plant at Leyland, Lancashire and at the van plant in Birmingham.

In a letter to the chief executives of some suppliers the receivers warned "if we cannot restart production because we cannot get the co-operation of all key suppliers, the remaining workforce will be laid off.

"If this happens the prospects of the plants reopening are extremely bleak."

The receivers have failed to restart production since being called in early last week.

Suppliers are unlikely to receive payment of outstanding bills, but the receivers have insisted that components orders placed since the collapse would be paid "as an expense of receivership".

Mr Michael Heseltine, trade and industry secretary, backed the call to suppliers to resume deliveries to Leyland Daf and said he hoped they would "feel able to rely on this assurance" from the receivers that they were "certain" to be paid.

Mr John Allen, chief negotiator for the Amalgamated Engineering and Electrical Union, said the unions feared yesterday's job cuts were not the end of the redundancies.

The first job losses among the 5,500-strong workforce were met with bitter resignation and anger. A total of 997 hourly paid and 638 salaried employees were dismissed.

The biggest cut was in Leyland, Lancashire where 766 of the 2,114 jobs were eliminated. At the Leyland Daf Birmingham van plant 589 of the 1,960 jobs were cut, while 136 jobs were removed at the company's parts centre in Chorley, 75 at the Thame, Oxfordshire sales and marketing operations and 67 at the Albion axle plant in Glasgow.

Mr Murdoch McKillop, joint administrative receiver, said the redundancies were "necessary if we are to maintain the business and carry on trading as a viable operation".

The job cuts had been structured so as to "maintain viable businesses at each plant".

The receivers were seeking "to continue trading with a view to eventual sale of each business as a going concern".

Leyland Daf could neither pay its creditors from before its collapse nor meet contractual redundancy obligations, said Mr McKillop. Dismissed workers would receive statutory redundancy payments.

Mr Jim Thomas, national officer for the white-collar Manufacturing Science and Finance union, said the 1,600 sacked workers were paying "a very personal price for the lack of government intervention".

Workers would receive only the state redundancy payment of one week's pay for every year of service.

Production workers at the Leyland plant voted by 4 to 1 against taking strike action. National and local union officials will meet in Birmingham on Monday to discuss their next move in the campaign to save jobs at the company.

Anger rises over redundancy terms

By Robert Taylor, Labour Correspondent

ANGRY and emotional scenes at the gates of Leyland Daf's British plants yesterday afternoon reflected the deep sense of outrage among workers at the receiver's redundancy announcements.

They are especially incensed about the contrast between the position of those whose jobs have been cut in the UK and that of their colleagues from the company's Dutch plants who have also lost their jobs as a result of Daf's liquidation.

Mr Michael Smyth, 45, who has worked for the company at Leyland, Lancashire, since January 1970, said: "I'm leaving with my shoes, my brew and my tea cup after 22 years. The gaffer just called me over and said I had lost my job. Where will I get another at my age?"

The company is not obliged to pay any redundancy money, either in the Netherlands or in Britain, and it will not be doing so. Daf workers in both countries will have to rely on state help to survive.

In Britain statutory redundancy provision is one week's pay to a maximum of £205 for every year's employment with the company to a maximum of 20 years' service – a total of £6,150. Average redundancy payments at Leyland Daf are estimated by the Department of Employment to be £2,812.50.

Yesterday the company said that at tha request of the receiver the Department of Employment had agreed to speed up payment of redundancy to the Leyland Daf workers from the usual 14 weeks to one week.

They will receive unemployment benefit at £43.10 for a single person and £26.60 for an adult dependent.

The Department of Employment estimates that the 1,635 redundancies will cost the taxpayer £4.5m. If Leyland Daf had been able to honour its redundancy agreement it would have cost the company £30m, according to the receiver.

In the Netherlands, the state will give Daf's dismissed workers their normal pay for the next six weeks, followed by weekly payments to those who remain jobless of 70 per cent of previous earnings up to a maximum of £20,000 a year for up to three years. Redundant workers must satisfy the authorities that they are seeking work.

"It is a scandal that British workers are being treated in this cavalier fashion," Mr Gavin Laird, general secretary of the AEEU engineering and electricians' union, said yesterday. "Other European countries make provisions to treat their redundant workers decently."

Mr Tony Woodley, the TGWU general union's national secretary for the auto industry, said unions at Leyland Daf were "ready to assist in any way to secure tha future of the Daf plants".

Birmingham's engine room is slowing down

Paul Cheeseright reports on the changing face of employment along the M6

THE troubles at Daf, the UK-Dutch vehicle maker, have raised fears for the future of the company's van plant in an area once considered the engine room of Birmingham. Yesterday, 589 of the Washwood Heath plant's workers were made redundant.

"We always viewed Leyland Daf as a jewel in terms of east Birmingham, acting as a focus to encourage continued development and growth," said East Birmingham Training and Enterprise Council official.

Leyland Daf and its predecessor companies, working at Washwood Heath since before the second world war, gave substance to the boast that the area, covering the wards of Aston, Nechells, Small Heath and Washwood Heath, was "the engine room" of Birmingham.

This engine room, visible on both sides of the M6 as the motorist approaches Spaghetti Junction from the south, works more slowly these days. Companies such as Ansells brewery, TI Tubes and GKN Automotive have long left. But large employers remain, including BTR with its aircraft tyre plant, SP Tyres, British Gas, British Steel, GEC Alsthom at the old Metro-Cammell railway equipment plant, HP Sauce, IMI, with, among other products, titanium and explosives, and Jaguar Cars.

Employment patterns have changed with manufacturing techniques and markets. More than 20,000 worked at IMI during the second world war. Now there are 1,600.

In January 1983, Jaguar had 2,200 hourly paid workers and 360 staff – in January this year it had 850 hourly paid and 230 staff. At British Steel's seamless tubes plant, 400 people work where 500 did five years ago.

There are exceptions – GEC Alsthom, just across the road from Leyland Daf, has 1,200 employees compared with 400 five years ago – but the employment trend has been downwards. Half the jobs in the Birmingham Heartlands Development Corporation area, more than 2,000 acres of east Birmingham, disappeared between 1978 and 1988.

Loss of employment in large groups has been offset by the arrival of smaller companies. But national economic growth during the 1980s left east Birmingham behind.

In November 1989, just before the present recession pushed up unemployment, the percentage of jobless in the four wards was between 13.1 in Washwood Heath and 22.1 in Aston – the national average was 5.7 per cent. Unemployment levels today are between two and three times the national average – 22.1 per cent in Washwood Heath, 25.7 per cent in Small Heath, 28.5 per cent in Nechells and 31 per cent in Aston.

The recession, combined with the area's decline, has defeated the range of active regenerating agencies – not only the Development Corporation, which last year succeeded a mixed private-public sector urban development agency, but also the government's East Birmingham Task Force, an inter-departmental group designed to foster employment, and the Birmingham City Council.

If such agencies find it hard to cope, the likelihood of them helping redundant Leyland Daf employees back into the labour force is remote. "The prospects of vacancies in Heartlands, or in Birmingham for that matter, are quite low," said Mr Jim Beeston, chief executive of the Development Corporation. The Task Force leader, Ms Christine Heard, says it would be "a ripple on the pond."

The majority of Leyland Daf employees live within five miles of the plant. Most are semi-skilled and will find it difficult to find alternative jobs without some re-training.

Birmingham TEC has prepared a package of assistance for Leyland Daf employees involving pre-redundency advice, vocational training and assistance for those considering self-employment.

Analysts attack public sector pay limit 'tilting'

By David Goodhart and Lisa Wood

THE public sector pay limit has not heen significantly tilted towards the lower paid among the 1.5m people covered hy pay review bodies.

Almost all the doctors, dentists, nursing staff, teachers and members of the armed forces covered will, from April 1st, get a rise of around 1.5 per cent, the limit announced hy the government in November.

Only one of the three pay review bodies which reported yesterday, for teachers, proposed any significant reforms io the structure of pay determination, and even teachers' pay will not be fully subject to performance pay until the outcome of pilot studies is known.

Some hetter paid teachers will get rises of only 1 per cent and a few could get just over 2 per cent, hut the majority will get 1.5 per cent.

The lack of tilting towards the lower-paid in the other pay review bodies was condemned by some pay analysts. Mr Chris Trinder of the Public Finance Foundation said: "An opportunity has been lost to protect the living standards of the lower paid and to set an example in the rest of the public sector".

He believes that the implementation of the 1.5 per cent limit by the pay review bodies will aet an example for the other 3.5m public aector workers covered by the pay limit.

The 1.5 per cent rise will apply to settlements not to wages bills, some of which could rise alightly more than 1.5 per cent as a result of an increase in the nnmber of people on higher pay scales.

Over the past two years the NHS pay bill has increased by 22 per cent while the increase on pay scales has been only 15 per cent.

Managers may have room for uneven distribution of the 1.5 per cent within, hut not between negotiating groups. All the unions continue to formally oppose the 1.5 per cent limit but industrial action is not expected. The health unions made no attempt to tilt the award towards the lower paid, saying that they did not want to disturb "internal relativities".

One of the armed forces pay review hody mambers, Prof John White, resigned after the government imposed the 1.5 per cent limit. The doctors and dentists review body also refused to prodnce a report becausa of the limit.

The review bodies are expected to report in the normal way next year although the government is determined to prevent any puhlic sector pay "catch up".

ALMOST all teachers will receive a pay increase worth between 1 per cent and 1.5 per cent over the full year from this April, Andrew Adonis writes.

The rise will be accompanied by an overhaul of the teachers' pay scale, but plans for full-blown performance pay have heen shelved pending pilot studies.

All qualified teachers will receive a 0.55 per cent increase on April 1, and a one-off payment of £90 on May 1. On September 1, they will be transferred to a new pay scale, giving a further increase to most.

Teachers are presently paid on a 10-point scale from £11,184 to £18,837, with five different incentive allowances – ranging from £1,298 to £7,692 – for those assuming extra responsibilities or demonstrating "outstanding ability" in the classroom.

The allowances will be abolished from this September, and all teachers will be placed on a 18-point scale, ranging from £11,295 to £30,573.

Teachers will have their present salaries converted to a safeguarded entitlement on the new scale. Thereafter, the award of extra points will depend on "qualifications, experience, responsibilities, excellence, and recruitment and retention factors".

In the process, some highly rated teachers could gain well above the average increase, possibly as much as a 2.5 per cent rise overall. But others stand to fare below average.

Head teachers and deputy heads will receive a 1 per cent increase on April 1.

Overall, the package will cost an extra 1.5 per cent. Local ednaation authorities, most of which are presently spending at their capping ceiling, yesterday expressed concern at their ability to foot the hill without redundancies.

Tha pay increases and new scale structure are as recommended hy the teachers' pay review body, but have been reduced slightly by the government to keep the additional cost for 1994-95 down to 1.5 per cent.

In its report, the review body emphasised that, for the past two years, pay rises for teachers outstripped those for non-manual employees generally. It noted: "Starting salaries for teachers now compare more favourably with those for other newly employed gradoates – although we recognise that more needs to he done to improve subsequent salary progression for teachers."

Mr John Patten, ednation secretary, endorsed the new structure, welcoming in particular the review hody's proposals for rewarding excellent teaching.

"School governors have shown that they are ready to reward high-achieving heads and deputies.

The new structure will encourage them to be equally positive in taking decisions on the pay of classroom teachers," he said.

SIB warns over banned company

By Tracy Corrigan

THE SECURITIES and investments Board yesterday warned that a futures company whose managing director has been banned from dealing with UK retail investors may be touting for business again.

SIB, the financial services watcbdog, has received a copy of an undated sales brochure purportedly isaued by First European Futures International which sells financiel futures and commodities from Brussels and Copenhagen.

The managing director is named as Mr Enver Deen, formerly with Vandersteen, a Belgian futures broker against which SIB obtained injunctions in 1990 to prevent it cold-calling investora and issuing unauthorised advertisements.

In 1991, SIB was granted a distribution order hy the High Court to pay £129,000 to 68 investors in Vandersteen, after the liquidation of the company.

Under the Financial Services Act, it is illegal for unauthorised investment companies to solicit business in the UK, but some companies try to elude the rules by operating from overseas. SIB says there was a flurry of such husiness immediately after the act came into force, but such cases are now rare.

In the hrochure obtained hy SIB, the company falsely claims to be authorised hy the Securities and Futures Authority, the regulator for the securities industry, and hy SIB and to be a member of a number of futures exchanges.

An official said SIB had no evidence that First European Futures had been cold-calling UK retail investors.

● A booklet, "How to spot the investment cowboys", is available from SIB, which also offers information on 071 929-3652.

Ministers seek Ulster solution to Maastricht

By Ralph Atkins

THE PROSPECT of a government defeat on Maastricht has prompted ministers to consider offering to set up a Commons select committee on Northern Ireland to win the support of the province's Unionist MPs.

Relaxing opposition to a committee could help win the votes of nine Ulster Unionist and three Democratic Unionist Party MPs – and head off a defeat on Labour's amendment on Maastricht's social chapter.

The chances of a government defeat, which could wreck the bill, heightened this week as Euro-sceptic Tories and Liberal Democrat MPs indicated they would back Labour.

Sir Peter Emery, chairman of the Commons procedure committee, is seeking views on whether a Northern Ireland select committee, with powers to launch investigations, should be established. All other main Whitehall departments have a corresponding select committee.

Sir Patrick Mayhew, Northern Ireland secretary, has argued that a committee should only be part of a wider political settlement between Unionists and nationalists. But he has stressed to colleagues that, technically, any decision on setting one up is a matter for MPs, not government. In practice, however, the government's view would be decisive.

One Northern Ireland Office insider said Unionists had a list of demands that would increase their say on the province's affairs. "Things crop up from time to time which may make it necessary to accede to one," he said.

No offer would be made by the government until nearer the vote, at least four weeks away, and then only if the government was convinced it would otherwise lose.

But it is far from clear whether a select committee would convert enough Unionists, who are strongly opposed to Maastricht. Mr James Molyneaux and the Rev Ian Paisley, the two Unionist leaders, may refuse to offer support at any price.

Ministers accept that there is no logical reason why the NIO should not be made accountable to parliament such as other Whitehall departments, including the Scottish and Welsh offices – possibly as a justification for relenting to Unionist demands.

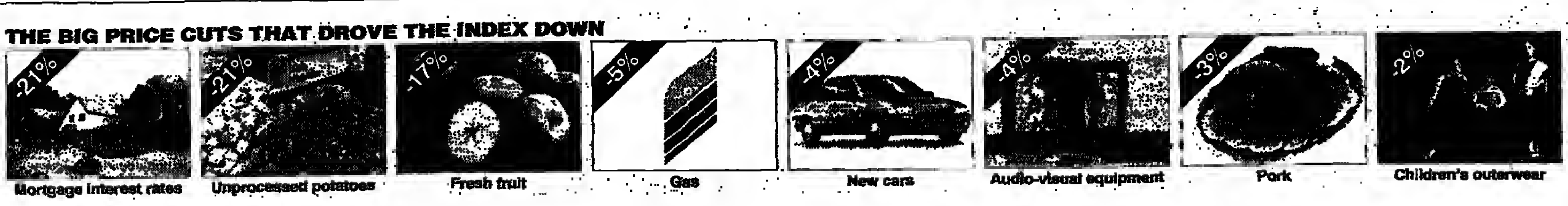
Agreeing to a select committee, however, would undermine government policy on Northern Ireland by angering the Irish government and nationalists in the province. It could further delay resumption of "round-table" talks on Northern Ireland.

Separately, the Northern Ireland Office is preparing for attack from Unionist MPs when the government publishes its white paper on the union between Scotland and the rest of the UK.

That document is expected to be strongly pro-union and opposed to devolution – almost the opposite of government policy on Northern Ireland.

Sir Patrick wants a devolved government in Northern Ireland and says it will remain part of the UK only as long as a majority of its population so wishes.

THE BIG PRICE CUTS THAT DROVE THE INDEX DOWN



Mortgage interest rates | Unprocessed potatoes | Fresh fruit | Gas | New cars | Audio-visual equipment | Pork | Children's outerwear

Shops absorb devaluation costs

By Peter Marsh, Economics Staff

UK inflation rate (+1.7%) RPI: 137.9 in January

Category	Change
Housing (172)	-2.8%
Motoring (143)	+2.9%
Food (non-seasonal) (130)	+2.1%
Alcoholic drink (80)	+4.9%
Household goods (77)	+1.5%
Clothing & footwear (59)	-0.7%
Household services (48)	+3.3%
Leisure goods (47)	+1.7%
Catering (47)	+5.1%
Fuel & light (47)	-0.5%
Personal goods, serv. (40)	+4.6%
Tobacco (36)	+9.2%
Leisure services (32)	+5.6%
Food (seasonal) (22)	-10.4%
Fares & travel costs (20)	+5.5%

Figures in brackets are weights in retail prices index in parts of 1,000
Percentages represent annual % change to January 1993
Source: CSO

THE RETAIL industry is taking sterling's devaluation on the chin. That was the main message from yesterday's announcement that headline inflation is at its lowest level for more than 25 years – in spite of the extra costs sparked by the declining pound.

Mr Norman Lamont, the chancellor, is no doubt relieved that the UK's departure from the European exchange rate mechanism has yet to show through in the prices consumers pay.

Many shopkeepers and others in the retail industry are less sanguine. The stagnant demand due to the lingering recession has forced much of the sector to absorb the costs of the devaluation through price cuts and reduced margins.

Since Britain left the ERM on September 16, sterling has declined by 15 per cent, forcing retailers and wholesalers to pay more for foreign-made products. It has also pushed up costs of imported raw materials and energy purchased by British manufacturers, a factor which might lead eventually to higher prices for retail items.

Under European Community rules, the devaluation has also pushed up the "green pound", the artificial currency which sets how much UK farmers earn for their products. That has meant price increases for items such as milk and butter sold to food processors for turning into consumer products.

No reliable figures exist for the extra costs on the retail sector resulting directly from the slide in sterling. But the Central Statistical Office reckons that – in the six months between August last year and January, and unadjusted for seasonal variations – prices paid by manufacturers for raw materials jumped by a hefty 10.6 per cent, much of this resulting from the devaluation.

In retailing, the recorded increase in prices of goods and services has been many times less. The government's favoured level of underlying inflation – the retail prices index excluding mortgage costs – rose over the period by just 0.4 per cent. The increase has been from 136.9 to 137.4, counting January 1987 as 100.

Including mortgage costs, the RPI has shown a 0.7 per cent fall over the same period, from 138.9 in August to 137.9 last month. This measure has been pushed down principally by reductions in mortgage payments, triggered by the fall in base rates from 10 per cent to 6 per cent. The year-on-year increase in the RPI in January – the so-called headline figure – was 1.7 per cent, the lowest since September 1967.

While many retailers have suffered through absorbing higher costs of merchandise, their wage costs are under little pressure. Rapidly rising unemployment has depressed rises in earnings throughout industry.

Another factor is that – assuming the expected recovery arrives later this year – a burst of retail price increases might result as the sector compensates for reduced margins. This could threaten the chancellor's 4 per cent ceiling for the year-on-year increase in underlying inflation.

Between December and January, six out of the 14 main categories which comprise the RPI showed a fall in prices. The highlights were:

- Housing costs. These fell by 3 per cent to a year-on-year decrease of 2.8 per cent – due mainly to the fall in average mortgage interest payments over the period from 9.4 per cent to 8.4 per cent.
- Household goods. Shops cut prices of items such as furniture, furnishings and cookers by 2.3 per cent in January compared with December, the largest monthly reduction since CSO records started in 1956.
- Clothing and footwear. Continued bargain sales mean these items have dropped in price by 4.6 per cent over the month for a year-on-year fall of 0.7 per cent.
- Leisure goods. There was a 0.2 per cent month on month fall in these items, including sporting equipment and hi-fi systems.
- Motoring expenses. The price of petrol fell between December and January with a gallon of 4-star going down by 7p to £2.21. Second-hand car prices fell in January by 4 per cent compared with the previous year.
- Fuel and light. Despite higher prices of heating oil, this sector had a 0.2 per cent decrease in prices on the month.
- Food saw a small 0.3 per cent increase in prices on the month. Non-seasonal foods such as meat, sugar, sweets and chocolate saw a year-on-year rise in January of 2.1 per cent, the lowest increase since November 1987. Fruit and vegetables continued to be cheap.

Grocery price increases expected say retailers

By Neil Buckley

FOOD retailers warned yesterday that, while they had been able to absorb much of the effect of sterling's devaluation so far, consumers could see the cost of their grocery baskets rise in the next few months.

They said the effect of devaluation had taken time to feed through into food prices, and a number of special factors had helped offset it.

Much will depend on the intensity of competition in food retailing. While food retailers might expect to be cushioned somewhat from the effects of recession, they have seen sales volumes falling. This has made it imperative for them to keep prices down.

This has meant absorbing price rises within their own margins to some extent, as well as sharing the load through tough negotiations with manufacturers and suppliers.

Many retailers already source much of their food from the UK, lessening the impact of devaluation. J Sainsbury, the UK's largest food retailer, said 90 per cent by value of goods that it could buy from the UK – excluding specifically non-indigenous goods - are sourced from the UK.

Safeway, the third largest food retailer, said it had raised the proportion of UK-produced food in its stores to 82 per cent.

The Food and Drink Federation added that, while the green pound, the exchange rate used to calculate the sterling equivalent of EC farm support prices, had been devalued by 22 per cent since September 16, it had taken some time for this readjustment to occur, and its full impact was still not being felt.

But the effect will be felt in the coming months. There will be upwards price pressure on a number of key food categories, such as sugar, dairy produce, cereals and beef.

There is evidence that manufacturers have been absorbing some of the increased costs. One retailer said its research had shown that, while the input cost of raw materials to manufacturers and processors had risen by 8 per cent, their output prices had risen by only 3 per cent. This was put down to the ability to keep other costs down, thanks to lower interest rates and lack of wage inflation.

Other factors included the unusual phenomenon of several important commodity markets – such as poultry, pork products, beef and dairy produce – all moving into a surplus phase at the same time, putting downward pressure on prices.

Good climatic conditions had led to crop surpluses and low seasonal produce prices, particularly for salad goods, vegetables, potatoes and apples.

Private-sector pay at 3.6%

By David Goodhart, Labour Editor

PRIVATE-SECTOR pay settlements are continuing to average about 3.6 per cent, according to two reports published yesterday.

Despite the continuing downward pressure on pay in both the private and public sectors, private-sector increases look high relative to inflation of 1.7 per cent and a public-sector norm of 1.5 per cent.

Pay analysts said uncertainty about the direction of the inflation rate after leaving the European exchange rate mechanism might have contributed to the relatively buoyant private-sector pay rates of the final quarter of last year.

Industrial Relations Services, which found average awards at 3.6 per cent in the final quarter of last year, said that eight out of 10 deals were above the inflation rate during that quarter. The union-funded Labour Research Department has also found average settlements settling at 3.6 per cent in the three months to the end of January.

Some analysts, such as the Confederation of British Industry, have already reported much lower rates in the private sector – 2.8 per cent in manufacturing in the final quarter of last year and one in three companies making pay freezes, according to the latest CBI figures.

Fowler warns Tory rebels

THE Conservative party leadership yesterday stepped up its warnings to rebel Euro-sceptic backbenchers over the consequences of backing a Labour amendment to the Maastricht bill intended to implement the social chapter, Ivo Dawnay writes.

Opponents of the treaty say a vote for the amendment would wreck British ratification and, because of the way it is drafted, have no bearing on whether or not Britain joined the protocol on workplace rights.

In a speech aimed at party dissidents, Sir Norman Fowler said Tory rebels would be backing a social chapter that was "nothing less than an engine of job destruction."

The party chairman's speech is part of a campaign to pressure anti-Maastricht MPs back into line with the leadership on the issue of the amendment.

Government business managers are also warning the rebels that an abstention or a vote with Labour on the social chapter amounts to a vote for socialism.

Sir Norman was careful yesterday to target the employment implications of the chapter, saying it would raise business costs, lower competitiveness and increase unemployment.

"It is essential that we promote policies in this country which will help to stop the increase in unemployment and bring forward the time when it begins to fall," he said.

Ballot for 12,000 London bus staff

ABOUT 12,000 London bus staff will be balloted on industrial action over pay and conditions, including pay cuts of between £30 and £60 a week, the TGWU general union said yesterday. The ballot has been set for February 19.

The union said any action would probably be a series of one-day stoppages. The ballot result will be known on February 22.

The union accused 10 subsidiaries of London Buses of "blackmail", saying the companies had threatened to withdraw compensation for loss of earnings if staff did not accept the package within varying periods of time.

Some companies told staff they would have to waive their right to take action, including legal action, as a condition of receiving compensation. The compensation is worth about two years lost earnings, on average about £3,000.

Driver-operators earn about £280 a week before overtime.

Beer production falls over year

BEER production in November 1992 was 2.99m barrels, 6.2 per cent lower than the corresponding month in 1991. Adjusted production – including imports less exports – was 6.5 per cent down at 3.21m barrels.

Production for the 12 months to November was 36.1m barrels, a 3.3 per cent decrease on the previous year.

Legal aid bill over budget

THE legal aid bill for the current financial year is likely to be about £1.12bn – more than £264m over budget, the annual report of the Lord Chancellor's Department published yesterday showed.

MP warns over 'missing voters'

By David Owen

AS MANY as one in 10 eligible voters could be missing from electoral registers, MPs were told yesterday.

Mr Harry Barnes, Labour MP for Derbyshire North East, made the claim as he failed to secure a second reading for his Representation of the People (Amendment) Bill, seeking to adapt the registration process and increase the powers of electoral officers.

Mr Barnes said official figures indicated that about 1.9m people, equivalent to 5 per cent of eligible voters, were not registered. But inaccurate entries for people who had moved or died masked the possibility that twice that number could be missing. He blamed the shortfall on a range of factors, including the poll tax.

Mr Peter Lloyd, Home Office minister, said the government agreed with the bill's objectives but could not support it because it had come a year too early.

He stressed that five working groups of Home Office officials and electoral registration officers had begun consultations on all aspects of the existing system. "We must have the consultation process if we are going to get it right."

Defending government efforts to maximise registration, he said "we have estimated registration levels of about 95 per cent and every year about £40m is spent in England and Wales on registration".

The bill failed to gain a second reading after only 78 MPs – fewer than the 100 required – voted for a closure motion to end the debate. No MPs voted against the closure.

British Coal adds to pits furore

By Michael Smith

THE Government's problems in ending the public furore over pit closures deepened yesterday as British Coal expressed strong concern about measures proposed in the draft white paper on coal.

The company's reservations surfaced as it said that even the recommendations of a parliamentary select committee, generally considered to be far more favourable to coal than the government, could result in a nil increase in the market after five years.

British Coal would not comment in detail on the government's draft proposals – which include slowing the planned run-down of coal stocks, cutting output from opencast mines, and using subsidies to halt growth in imports – but comments by Mr Neil Clarke, its chairman, indicate a strong belief that it does not go far enough.

He said any solution that did not address increased output from nuclear and gas-fired stations was likely to result in a potential market for British coal closer to the company's predictions last October, when it announced the closure of 31 pits, than the tonnages "which we all want to see".

The draft white paper makes little if any provision for capping nuclear and gas power. Mr Clarke said: "The market for electricity is not elastic. If more is to be found for coal then it is a question of what fuel gives way.

"We risk storing up problems if we rely too much on maintaining coal stocks to sustain production rather than on switching away from other fuels. Careful consideration should also be given to the business consequences of any artificial cap on the competitive coal from opencast mines."

Mr Clarke added that ordering power stations that use orimulsion – an imported fuel – to fit flue gas desulphurisation equipment was unlikely to stop use of the fuel.

The select committee report has been interpreted as seeking to create a market for at least an extra 16m tonnes of coal a year. But in its response to the committee's findings, British Coal said its proposals would increase the market by 8m tonnes at most, and possibly none.

Mr Clarke said BC welcomed the select committee's recommendations but a detailed study of the report revealed that central assumptions at variance with the corporation's calculations.

British Coal said the report:

- Overstated the likely level of coal imports in 1997/98 by 16m tonnes.
- Understated gas burn by the equivalent of 3m tonnes.
- Assumed total fuel used to generate electricity would be equal to 5m more tonnes of coal than was likely.
- Assumed that nuclear generated electricity would increase by the equivalent of 6m tonnes of coal over the next five years.

Sunday working 'test case' fails

By Robert Taylor, Labour Correspondent

AN industrial tribunal in Hull yesterday awarded former shop assistant Mrs Ruth Taylor £224 for unfair dismissal, but ruled she had not lost her job for refusing an order to work on Sunday.

The decision is a setback for those campaigning against Sunday opening, who regarded Mrs Taylor's dismissal appeal as a test case over Sunday working.

Mrs Taylor, a devout Baptist, claimed she had been fired unfairly by her employer, Franlow, a clothing store, because she would not work on Sunday for religious reasons when the company began Sunday trading last May.

The tribunal chairman said Mrs Taylor had been fired on July 5 last year, two days after rejecting a request to work on Sunday after a "long-running dispute" with a manageress at the store.

He said her dismissal had been "an instant decision" owing to a "personality clash".

Mr Garfield Davies, general secretary of the Usdaw shop workers' union, said the tribunal decision was a "disappointment" because it avoided giving a judgment on the Sunday working issue.

Low prices and exchange rates have contributed to a surge of interest from abroad in property, reports **Richard Donkin**

British prices attract foreign househunters

DEPRESSED property prices and attractive exchange rates are drawing increasing numbers of foreign buyers back into the UK housing market.

Estate agents say that interest in London and country house properties which began to pick up in the last year has shown a surge since sterling's devaluation last September when it left the European exchange rate mechanism.

A significant proportion of purchases continues to involve buyers from the Far East seeking investment opportunities. This includes Hong Kong Chinese looking for holt-holes ahead of 1997 when China will regain control of the colony.

One Hong Kong buyer scouring Belgravia, central London, this week said that because of the difference in exchange rates she was finding prices more than 50 per cent cheaper than they were last year. She has been viewing houses priced at about £1m which were on the market a year ago at £1.6m.

The rate of exchange against the US dollar when she first looked meant that she would have had to pay around $3.2m whereas today, because of the devaluation and the further fall in house prices, she only needs to find $1.45m for the same sort of property.

The same conditions are also attracting European buyers, particularly Germans and Italians, and some estate agents have reported deals with eastern European buyers such as Russians and Serbs.

Knight Frank & Rutley say they have seen an increase of 50 per cent in foreign buyers looking for London and country houses at the top end of the market. According to its research some 64 per cent of all buyers purchasing property priced at more than £750,000 were foreign last year, against 42 per cent in 1991 and 35 per cent in 1990.

In London 70 per cent of buyers were from abroad and country house sales were evenly split between UK and foreign buyers. Some 40 per cent of sales for the year were completed in the last quarter.

Mr Patrick Ramsay, the partner in charge of country house sales, said that foreign interest was spread fairly evenly across the board.

One effect of foreign buyers arriving in numbers was to soak up properties on the market since they had no houses to sell in the UK.

However, Mr Andy Buchanan, a director of estate agent John D Wood, said the scarcity of new instructions was the worst he had experienced in 20 years in Chelsea, west London.

Italian buyers, in particular, were prominent at present. "We had three Italians in today looking at properties," he said. Italian house purchasers still asked for confidentiality, he said. "But it's not like the old days when I used to ring a hotel in Milan and say the bird has flown the nest to tell the buyer the sale had gone through."

John D Wood's office at Regent's Park says that South Africans are its most active foreign customers, but their preferred area is Hampstead, north London.

Mr Paul Taylor, head of residential sales at Savills, said a number of Russians and Serbs had bought property at around £500,000 in Hampstead and Kensington in west London.

He said that several factors were combining with exchange rates to attract buyers, including signs that the country was coming out of recession and a large stock of properties.

Mr Adam Leighton, manager at Benham & Reeves in Hampstead, said that about 50 per cent of sales in the last quarter had been to foreign buyers. "We have sold three properties to Russians in the last couple of months and I know that two of my competitors have had sales to Russians."

London remains the most popular centre for foreign buyers. The French in London tend to congregate in South Kensington, because of the French lycée. Germans prefer to be further west whereas house-hunting Americans head for St John's Wood or Hampstead. Ealing is popular with Japanese buyers.

Cotswolds roll over the Rockies

MR BILL Kuhn is due to arrive from Denver, Colorado at Heathrow this morning to pick up the keys to his Cotswold cottage.

He has just bought a two-bedroom 16th-century cottage with a guest cottage attached in Stow-on-the-Wold, Gloucestershire, for £148,000. He says it cost 35 per cent less than last April when it first went on the market.

Mr Kuhn, a management consultant, said the high cost of internal flights in the US had influenced his decision to buy in Britain. "We can get there as cheaply and spend no more money than someone would having a piece of mountain property right here."

"Air fares from the States to Europe are very favourable. We are paying $478 (£337) per person for the round trip. A week ago I went from Denver to Phoenix for $680 and that is a 1½-hour plane ride."

He and his wife Sandie had been looking at English properties for about two years. "Then we came across in November and were amazed at the prices."

Mr Kuhn said friends in Denver had not realised the extent of bargains in the UK because of falling property prices and the exchange rate.

"In Denver a lot of people have a condominium in Vale or Aspen. We would just as soon have a second home in England. We plan to spend about three to four months in the year over there [in the UK] in time."

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Better ways to fund

IF THE self-respect of chancellors and central bankers hinged on the way markets reacted to their rhetoric, few would complete their allotted term. Mr Eddie George does not take up his post as Governor of the Bank of England until July. But this week he had a foretaste of the currency markets' notion of courtesy. When he warned in Frankfurt against further cuts in UK interest rates, sterling fell against the dollar and the D-Mark. While there is no reason to doubt Mr George's sincerity and determination, this scepticism is all too understandable.

Yesterday's unexpectedly good figures for the retail prices index showed that the year-on-year headline rate of inflation in the UK is now running at 1.7 per cent, while the underlying rate excluding mortgage interest payments is 3.2 per cent. This suggests that short-term interest rates of 6 per cent at this depressed stage of the economic cycle are still high in real terms. After the badly handled one-point cut in rates late in January, few believe that Mr George's political masters will show the same resolve as he.

That feeling is reinforced by the state of Britain's public finances. The markets understand that when next year's public sector borrowing requirement is heading for 9 per cent of gross national product and oversize budget deficits threaten to extend as far as the eye can see, there is only one solution to the problem: economic growth. If the government puts obstacles in the way of growth by keeping rates unduly high or, worse, raising interest rates in a panic as sterling overshoots downwards, a barely manageable problem becomes a nightmare.

Stabilise sterling

Here, then, is a difficulty that cannot be addressed by making speeches. If the government wants to stabilise sterling and restore confidence to a market that is all too aware of these pressures, it would help to adopt an approach to funding the PSBR that convinces people that the authorities actually believe in their own policies. If, in the words of the chancellor Mr Norman Lamont, the government's aim is to achieve a long-term rate of inflation of 2 per cent or less, funding the PSBR with long-dated gilts yielding about 8¾ per cent will prove appallingly costly in real terms.

The market's inflation expectations are, in fact, more pessimistic. Long fixed-rate gilts are yielding around five percentage points more than the longer index-linked gilts – well above both the long-term inflation target and the declared short-run range of 1-4 per cent over the present parliament. Many institutional investors, meantime, are unwilling to believe that the government will be able to fund the PSBR at today's gilt yields because the funding requirement is so large in relation to institutional cash flow. Finance directors in industry appear to share that view. The recent spate of rights issues, and Thursday's announcement by hotels group Forte of a £200m debenture that matures in 2018, amount to a pre-emptive strike by people who anticipate funding pressure.

Budget deficit

This fear that the private sector will somehow be crowded out of the market is, in one sense, odd. The US has lived for years with a structural budget deficit without facing investor resistance in the market. There is little evidence in either the US or UK of a positive correlation between the PSBR and the level of bonds in institutional portfolios. And the absence of exchange controls around the world means that any shortage of domestic buying power can be supplemented from overseas.

Against that background, the priority should be to establish a firm floor under sterling to activate capital flows on a global scale. One prerequisite is a convincing fiscal package in the budget. Another is a funding policy that lends credibility to Mr Lamont's inflation targets. That would involve, first, borrowing heavily in foreign currencies to support intervention in the sterling market. It would also involve more active resort to index-linked issues. And the so-called full funding rule, whereby the government finances the whole of its borrowing requirement with non-bank financial institutions, should go, allowing the banking system to buy less costly short-dated IOUs.

It is, of course, more easily said than done. When the conditions for successful funding are difficult, a government needs to demonstrate some finesse in its management of the markets. That is difficult while the same people who mishandled sterling within the exchange rate mechanism remain in charge. The best reason for thinking that long gilt yields will rise is not that the fundamentals are necessarily against the authorities; it is that fund managers will be reluctant to give such a maladroit team the benefit of the doubt. That reluctance has been reinforced by the botched cut in interest rates last month.

When the long-run trend in equities is still upwards, UK investors will take some persuading to buy a devalued government's bonds. Only with a great deal of luck – sorely absent in recent months – will it pull off the trick at today's prices.

Britain's government is seeking more ways to extract money from motorists, writes **Richard Tomkins**

For whom the road tolls

Slowed to a crawl on a heavily congested motorway or fuming in a town-centre traffic jam, British motorists are likely to be incensed by the suggestion that they have had it too good for too long. But that is the message coming increasingly loudly from the government. Road users, it seems, are going to have to pay more for their dubious pleasure.

Sometime this spring, the government confirmed this week, a green paper will propose new ways of extracting money from motorists: the introduction of tolls on trunk roads and motorways. The Department of Transport also hinted that this could be a first step towards the eventual privatisation of the trunk road and motorway network, raising fears that tolls could soar if ownership of the roads passed to private sector profiteers.

If there were any doubts about the scope for a possible furore over these proposals, they would have been dispelled by events in Germany this week, when the country's ruling coalition coincidentally came up with similar plans for the German autobahn network. Such was the backlash from car owners, politicians and trade unions that the government was driven into ignominious retreat. No charges for the motorways had yet been agreed, it said, nor had any date for their implementation been set.

In Britain, too, even before the publication of the government's green paper, the attacks have begun. Opposition parties say it is just a way of creaming off some extra funding from the hard-pressed motorist to help fill the country's yawning budget deficit; the Automobile Association says it will create a two-tier road network, leaving better-off drivers on the motorways and diverting worse-off ones on to unsuitable roads through towns and villages; and freight transport groups say higher road charges for goods traffic will weaken the competitiveness of British industry.

If better and less congested roads were the result, toll charges could be outweighed by savings in users' time

Just what the government is proposing is still far from clear, but what it professes to be doing is getting the private sector to help meet Britain's growing demands for roads. While recession may have temporarily taken the heat out of the congestion crisis, road traffic is forecast to double by the year 2025, and the government cannot afford to meet the cost of accommodating the growth on its own.

Inviting the private sector to build toll roads would seem an obvious solution. The trouble is, these only work where users have no cheap or easy alternative. In other European countries where they exist, such as France and Spain, they tend to work either because other routes are also tolled or because the free alternatives are impractical for drivers travelling long distances.

In Britain, criss-crossed with trunk roads and motorways that are all toll-free, attempts to get private roads built have met with little success. Only one project, the Birmingham Northern Relief Road, has so far reached the planning stage – in this particular case because the motorway route for which it provides an alternative is saturated.

The implications for Britain are clear. If the private sector is to build new toll roads, then tolls will have to be introduced on the public roads that compete with them, too. But yet to emerge is just where the toll revenues would go: to the exchequer, or to the Department of Transport to build more roads?

One possible outcome is that the answer will be neither. Instead, the government may invite companies to bid for franchises to take over the operation of existing motorways and trunk roads, introduce tolls on them, and use the cash generated to fund the construction of extra lanes or new roads running parallel to them. That would effectively mean the privatisation of the trunk road and motorway network.

It is too early to say precisely what this would mean for road users. The toll roads would be easy to use – technology already in existence would debit charges electronically from devices in motorists' vehicles on entering and leaving the roads, so there would be no need for dozens of toll booths at entrances and exits. The tolls would push up motorists' costs – but if better and less congested roads were the result, the charges could be outweighed by savings in users' time.

So what is there to object to in such a plan? As in Germany, the main factor is the overwhelming sense of injustice among British motorists who feel they are already paying far more for the roads than they should. According to the Automobile Association, road users pay two and a half times as much in motoring taxation each year as the government spends on building and maintaining the roads. If that money were ploughed back into roads, the AA argues, there would be no need for tolls. So how can the introduction of new charges be justified?

One answer is to say that it is not so much a matter of justification as of expediency. The Treasury does not acknowledge a link between the money it collects from road users and the money it spends on roads: that, it says, would be like arguing that the money collected in cigarette tax should be spent on the production of tobacco. Instead, it sees road users as a convenient source of revenue; and, quite separately, it sees the £2bn-a-year roads programme as an unwelcome burden on the exchequer.

And yet, given the likely controversy over the toll road issue, it is worth taking a look at the AA's case – not least since the public transport lobby claims, equally vociferonsly, that motorists are getting e cheap ride on the roads and ought to be paying more.

The easier side of the equation is the government's annual revenue from road users. According to Department of Transport statistics, fnel tax from cars and goods vehicles currently totals £11.47bn a year and vehicle excise duty £3.23bn. That makes £14.7bn. The AA alsn adds in more than £4bn collected from car drivers in value added tax: but there seems little justification for this, because VAT is a uniform tax applying to nearly all goods and services. (It should be noted, though, that public transport is exempt.)

On the cost side, Department of Transport figures tell us that capital spending on roads is running at £2.87bn a year, and this is the figure the AA uses. But it is the wrong number: what we need to know is how much the capital invested in the roads has cost the government to obtain. For this we turn to Professor David Newbery, director of the Department of Applied Economics at Cambridge University, whose 'back-of-the-envelope' calculations suggest a total capital value for the whole road network of around £90bn. Applying to that the government's discount rate of 8 per cent yields an annual cost of £7.2bn – a rough but serviceable figure, and one considerably higher than the government's annual capital spend.

THE REAL COST OF MOTORING?

1991 (£bn)	Cost	Revenue	
Cost of capital	7.2	Fuel tax	11.5
Maintenance	3.2	Vehicle excise duty	3.2
Policing	0.4	Total	14.7
Accidents	6.1		
Environmental costs	1.7		
Total	18.6	Net deficit	3.9

The Department of Transport provides the next two figures: £3.21bn a year for road maintenance and £420m for police and traffic warden services. Adding those to the cost of capital makes £10.83bn, etill well short of the money collected in tax. And that is the end of the list, as far as the department is concerned. Yet still absent from it is any consideration for the cost to society of accidents, pollution, congestion, noise and nuisance.

Thia is cnntroversial ground because it is impossible to put a precise figure on these costs. But it is worth making the attempt because ignoring them distorts the market for road transport. According to economic theory, a socially efficient market is one which distributes resources according to the wishes and needs of the community, and a necessary condition of such a market is that the price of a good is equal to its marginal social cost. This cost must include not only the cost borne hy the individual, hut tbe cost wbich the individual imposes on society by consuming it.

In the case of roads, tho only social cost for which a figure is availahle is the one for accidents, estimated by the Department of Transport ot £6.1bn. But that figure includes debatahle calculations on matters such as the value of a human life, and the AA prefers to add in only a small sum to take account of direct costs to the hospital and ambulance services.

Environmental costs ere even more debatabla. It can be argued, for example, that these are already reflected in the high prices being paid by vehicle owners for anti-pollution measures such as catalytic converters in the purchase price of their cars. But Prof Newbery says studies in the US suggest that estimates for environmental damage tend to come out at roughly 10 per cent of other road costs, so it is possible to add in this factor. The effect is to take the total figure for road use costs to £18.6bn – some £3.9bn more than road users pay.

This is nnt intended tn be an accurate figure: some of its components may be too generous, others too mean. But it shows that it is possible to arrive at a conclusion very different from the AA's and the Department of Transport's: that, far from paying too much for their roads, Britain's vehicle owners may be paying 20 per cent too little.

It is possible to reach a conclusion different from the AA's: that vehicle owners may be paying 20 per cent too little

If this were true, the consequences could be far reaching. The public transport lobby argues that railways are et a competitive disadvantage with roads hecause road users do not pay their full costs. Neither do railways, the road lobby could say: trains do environmental damage, too. But if the government's green paper attempts to quentify the full economic and social costs of the road network, and compares them with those of the railways, the long-term effect could be a significant shift in the pricing structure in favour of rail.

Then again, it is salutary to remember that toll roads are nothing new: they were widespread in 18th-century Britain. But when the first turnpikes were introduced in the late 17th century, tbay were eccompanied by riots and mass destruction. Given the government's current antipathy towards any decision that smacks of controversy, it might think twice before risking another row on the roads.

MAN IN THE NEWS: ***Dieter Bock***

Mission to mend fences

Mr Dieter Bock, the German financier appointed joint chief executive at Lonrho with Mr Tiny Rowland, has set himself a challenging task. He wants to bring one of the most independent-minded British companies back into the City fold.

"We have to repair the image of the company; it has to become an equal member of the business community" be says. This can only be achieved, he feels, if Lonrho "plays by the book", becomes "more open with the investment community" snd eppoints non-executive directors. In sbort, Mr Bock says he wants the company, effectively run by a rebel tycoon for 31 years, to become viewed as part of "tbe establishment".

To many Lonrho watchers Mr Bock's amhition may sound implausible. This is partly becanse the diversified conglomerate finds itself so far from the establishment and partly because the company is perceived as Mr Rowland's vehicle. There are few other UK companies where the mark of a single man has been so strongly imprinted.

In 1973 the affairs of Loorho were famously described by Edward Heath, then the prime minister, as "the unacceptable face of capitalism". Since then Mr Rowland has repeatedly enraged the finencial establishment. Last year, while the west sought to treat Lihya as an nutlaw because of its alleged involvement in the Lockerbie air disaster, Lonrbo sold a one-third stake in its Metropole Hotels to the government-controlled Libyan Arab Investment Company for £177.5m.

"Tiny has been trapped into a fight with the establishment; it is a bad situation," says Mr Bock. "But I hope my presence will giva him more freedom to move."

He does not expect, bowever, to hring Lonrho back into the City fold within a few weeks. He thinks it could take as long as a year and a half. He cannot simply remove the Rowland imprint, and he does not want to minimise the role Mr Rowland has played in building the group. But the 53 year-old Mr Bock has served notice to the investment community that he is not about to play a subservient role to the 75 year-old Mr Rowland.

"As much as I respect Tiny, he respects me. I can bring in more new ideas than any of his board members can. If someone is new he is more able to develop new ideas than someone who has been in the same position for a long time."

For the moment, he is somewhat guarded about what such plans may comprise. What he does say is that Lonrho must reduce its borrowings which, at the year to the end of September 1992, were abont £850m. That figure has recently fallen as e result of disposals, and he favours further small divestments to ease the debt burden. He says that he and Mr Rowland agree that the company sbould remain focused on its core businesaes – mining, trading, agriculture and hotels – in an attempt to improve its performance.

Last year's collapse in pre-tax profits, which fell to £80m from £205m the previous 12 months, show the scale of this task. Equally difficult will be his more immediate aim of establishing ties with the City. Mr Bock could not be described as a pillar of the establishment. He is more renowned in Germany for being an effective, if mysterious, Mr Fixit. Indeed, there are two big mysteries surrounding Mr Bock: where he gets his money from; and whether he is acting in partnership with anyone else?

Mr Bock's main business interests are his commercial real estate activities in Advanta Management, of which he controls a majority of the isaued share capital. In 1991, Advanta reported pre-tax profits of DM63m (£27m) and its net assets were around DM200m (£85.8m).

Last October, Advanta, in a high-profile deal, hrought a 50 per cent stake in the Kempinski Hotel cbain after the failure of attempts to merge Kempinski with Air France's Meridien business. The deal, worth ahout DM300m (£128.7m), again raised questions about the source of Mr Bock'a finances.

He is listed in the German edition of Forbes magazine as number 390 of the country's 400 richest people, with an estlmated net worth of DM200m (£85.8m). Yet Mr Bock's purchase of an 18.8 per cent stake in Lonrho – made through his privataly owned company Laerstate, registered in tha Netherlands – cost him £135m.

When pressed about the state of his personal finances the financier has a look of exasperation. "I have already told everyone that I am not paying for my Lonrho stake out of cash." He dismisses the Forbes estimate of his wealth as "bunk" and says he has made some short-term borrowings while negotiating the sale of 20 to 25 per cent of his holding in Advanta.

As to whether he is acting with anyone else, Mr Bock laughs off the idea as ridiculous. "I am acting for myself, not with or for anyooe else. I have never been a front for anyone. My frieods in the German community know that I act for myself."

Mr Bock says there is no secret about where be has come from and how he made his money. Boro in Dessau in tbe former state of East Germany, his family moved to what was then West Germany in 1953. He studied law at Marburg University followed by accountancy at Munich University, and worked as an apprentice for the Frankfurt law firm Boesebeck & Bart. Ha moved on to a small accountancy firm which was taken over by KMPG Peat Marwick.

In 1973, struck by how many Germans were investing in property to save taxes, he formed his own consulting firm in Frankfurt. The next year he established his first partnership for real estate investment in Munich. Later hs expanded his property interests to South Africa and the US, and formed Advanta.

An intensely private man, Mr Bock is married with four children. He is a patron of the arts and establisbed a charitable fonndation to help German museums fund their exhibits.

Regardless of Mr Bock's background there remains the question of whether Mr Rowland will be supportive of Mr Bock's plans. What if the joint chief executives were to fall out? Mr Bock admits that there is always a risk, but dismisses it as insignificant. He says he is confident that he can change the public's perception of Lonrbo without alienating Mr Rowland.

Roland Rudd

Corruption scandals involving MPs and businessmen could lead to a reform of the electoral system, writes **Robert Graham**

Something rotten in the state of Italy

Like the passengers on the Titanic, Italy's politicians have tended to assume that they operate in an unsinkable environment.

But the resignation this week of Mr Bettino Craxi, forced to step down after 16 years' leadership of the Socialist party because of alleged corruption, is proof that the postwar political ship is sinking. The departure of Mr Craxi marks the end of an era, and will accelerate the extraordinary and confused process of political change that is now sweeping Italy.

The country is lurching towards reform of the unstable system of proportional representation that has produced 51 coalition governments in the last 47 years. Reform in turn will produce early elections, perhaps by October; and these elections are likely to redraw the political map.

Change has come from an unexpected quarter – the magistrature. Since the second world war, the Italian judicial system has been weak, easily subverted by political interference or the tangle of conflicting laws. But over the past year, an investigation, begun by Milan magistrates into corruption on public works contracts has brought into its net 47 members of parliament and several leading businessmen.

"It's as if we are putting parking fines on cars in a city which has had no parking laws: no matter how many fines you impose there are always more cars – it's an indictment of an entire regime," observed one television commentator this week.

Each day a new set of arrests is announced, producing a "who-is-next?" hysteria among much of the public. On Thursday, Milan stock prices tumbled and treasury bills were sold in panic, as rumours spread that more top businessmen and members of the government were in line for investigation.

These reactions underscored the way in which the scandals have touched the core of the system. For more than a decade Mr Craxi has been a central figure, guiding the Christian Democrat-Socialist alliance which has dominated every aspect of state. The 59-year-old autocrat, along with his Christian Democrat colleagues, Mr Giulio Andreotti and Mr Arnaldo Forlani, symbolised the permanence of the status quo. This time last year, there was an understanding among Italy's political leaders that Mr Andreotti would move from the premiership after the April general elections to become the next president. Mr Craxi was to become prime minister and Mr Forlani was to retain control of the Christian Democrats.

Of this trio, dubbed the "CAF" from their surnames, the veteran Mr Andreotti has withdrawn discreetly to the sidelines and Mr Forlani has reluctantly accepted responsibility for mismanagement of the elections by stepping down last autumn from the leadership of the Christian Democrat party.

Mr Craxi, however, refused to recognise that the Socialist party's poor election results were a consequence of his arrogant style of leadership and of the public's identification of his party with a corrupt power structure. Then President Oscar Luigi Scalfaro (chosen because Mr Andreotti was too identified with the corrupt system) rejected him as an unacceptable candidate for the premiership and chose Mr Craxi's deputy, Prof Giuliano Amato.

But it took a revolt within the party and six separate warrants from Milan magistrates to force his resignation. The warrants advised Mr Craxi he was under investigation for alleged illicit party financing through kickbacks on public contracts and deals.

By protesting his innocence and clinging to power, Mr Craxi merely accumulated more public odium. Lately he has been insulted in the street with a venom not seen since the days of fascism. In contrast, Mr Antonio di Pietro, the Milan magistrate leading the inquiry, has become a national hero, emblazoned on t-shirts and praised in graffiti.

The exit of such an unpopular figure as Mr Craxi could assuage some of the public's appetite for justice over what they regard as a monstrous robbery perpetrated on the electorate by a corrupt political class. Mr Di Pietro, for his part, raised the question this week of whether it was feasible to bring an entire regime to justice in a democracy without undermining the fabric of democracy itself.

Evidence leaks out daily from the magistrates of the scale on which the main political parties subverted the state apparatus to their own profit. More than 105 politicians, businessmen and civil servants have so far confessed to taking part in a system whereby public works contracts were awarded on the basis of illicit payments to fund party organisations. The proceeds were then split on the basis of the importance of the various parties in a particular city or their share of the national vote.

The current scandals were revealed almost accidentally last February, when Mr Mario Chiesa, a Socialist apparatchik in Milan, was caught red-handed taking a L7m (£3,200) bribe for a hospital contract. Mr Chiesa proved a small cog in a much larger wheel. Magistrates have since been on the trail.

The latest line of investigation centres on the electricity industry. Political leaders are alleged to have placed their representatives on the board of ENEL, the state electricity authority, to win a share of some L22,800bn (£10.4bn) in contracts at five power stations.

Under the Italian judicial system, the magistrate plays the accusatory role, amassing evidence which must then pass through a lengthy court process. More than 70 per cent of prosecutions fail. However, whatever the outcome of the court cases, stories in the press mean that the reputations of a large number of politicians have been damaged, many irretrievably.

For instance Mr Claudio Martelli, one-time heir to Mr Craxi, was forced to resign from the justice portfolio on Wednesday, following an announcement he was under investigation for alleged corruption. Mr Martelli was seen as one of the few people capable of rejuvenating a demoralised Socialist party and perhaps forging an alliance of the left with the former communist Party of the Democratic Left (PDS).

The series of corruption scandals has left Mr Amato in an increasingly anomalous position as prime minister. The legitimacy of his coalition has been undermined because its two principal components, the Christian Democrats and Socialists, have become so tainted by the corruption scandal. But no one denies his achievements, such as introducing a tough budget and reforming the state pension scheme in the past eight months, and he has the backing of President Scalfaro.

Mr Amato is expected to seek ways to broaden support for his government and carry out a cabinet reshuffle. This week he said his priority was to ensure approval for electoral reform as quickly as possible. Parliament has a schema before it, prepared by a joint commission, which proposes the majority of seats in both houses be filled on a first-past-the-post basis.

The proposal is in line with the ideas for electoral reform put forward by the Referendum Movement. The cross-party group's proposals have already been accepted as the subject of a referendum due to be held between April and June. In any event, legislation changing the existing system of proportional representation should be ready before the summer recess.

However, the current system's crisis is affecting Mr Amato's authority. From now on, he will find it more difficult to govern. In particular, it will be hard to keep the budget on target, implement the government's privatisation programme and ease the impact of growing unemployment.

He recently likened his government to a hydrofoil riding on a cushion of air – capable of lasting, as long as no one realises the support was merely air. With luck, and in the absence of an alternative, this cushion of air will last until early elections. In the present climate, these cannot be put off much later than the autumn.

Bettino Craxi

Giuliano Amato

Game boys and girls go out to play

Retailers cannot afford to ignore the recession-proof teenage market, says **Michael Skapinker**

The generation that spent the 1960s and 1970s confounding and appalling its elders now faces the embarrassment of not knowing the answer to this question: what do the youth of today really want?

This week, the music industry, home to many a former flower child, admitted that young customers were slipping away. Music suppliers' and distributors' revenues dropped 2.4 per cent to £692.5m last year – the first fall since 1980.

While music companies were not short of new compilations of old hits by Cher and Pink Floyd, they said they had found little to enthuse today's teenagers.

Some marketing experts admit to being mystified by teenagers' tastes. Mr Richard Hyman, chairman of Verdict Research, a retail consultancy, says: "One of the striking things about people of this age is they're a million miles from being a homogenous group. The difference between a 14 and a 17-year-old is as big as the difference between a 17 and a 30-year-old."

Yet the teenage market is not one that retailers and providers of leisure goods can afford to ignore, not least because its spending power appears unaffected either by the recession or the fall in the young population.

Research carried out late last year for EMAP, which publishes several magazines for teenagers, including Smash Hits and Just·17, found that while the number of young people aged 11-20 fell from 8.7m in 1986 to 7.3m last year, their total disposable income had never been higher.

The EMAP survey found that the 11-20 age group had £9.4bn to spend – 19 per cent higher in real terms than in 1988. This did not include living expenses such as rent and utilities, on which they spent an additional £6.5bn.

EMAP's interviews with 532 under-20s found that they were leaving their parents' homes later than in the 1980s. The company's research report said: "This could be one of the ironies of the recession. It may well be that the very reason kids have so much more disposable income is because they live at home longer – and they live at home longer because they cannot afford to move out."

A more puzzling finding was that their recession-hit parents were giving them more money. Average pocket money rose from £2.86 a week in 1988 to £10.10 last year. Girls did better with £11.20 a week, compared with boys who got £9.10.

Miss Delyth Chapman, the author of the EMAP report, says she is not sure why pocket money has proved so recession-resistant. "Maybe kids have got a little better at getting money out of their parents," she says.

Miss Chapman says the biggest change in the past four years has been the number of under-20s being paid by their parents to do odd jobs such as washing the car. "Chore money is now huge. It didn't exist four years ago. During a recession, parents are more aware of the value of money, and they are passing that attitude on to their children."

The average 11-20 year-old has income from all sources of £46.50 a week, of which £24.65 goes towards discretionary consumer spending, according to the EMAP research. The rest goes on savings, living expenses or contributions to the household.

So what do the young spend their money on? Much of it still goes on music, despite the industry's current travails. Mr Simon Burke, managing director of the retail arm of the Virgin group, says that young spenders still account for half the music industry's turnover. He says: "While it's fair to say that the market has moved away from that age group in the past five years, they are vital to us and they always will be."

Much of the money that used to go on music is now spent on computer games. Music retailers such as Virgin and W H Smith have been able to devote more of their store space to computer games because of the decline of vinyl records and their replacement by smaller compact discs. Mr Nigel Kenyon Jones, general manager of music and computer games at W H Smith Retail, says: "It was a happy coincidence."

Miss Chapman says that while the under-20s are big readers of magazines and newspapers, books are not a high priority. "I don't think book-reading has been a major leisure occupation for some years," she says.

Mrs Sally Brummitt, product group manager for children's books at W H Smith, says girls read more than boys. Horror stories are popular, accounting for 15 of the company's top 20 teenage paperbacks.

"They're very similar to adult horror fiction – the covers have knives sticking in doors – but they're not as violent or graphic. The protagonists are teenagers and they're about ghost themes and being stalked," she says.

Some teenagers move on to adult crime novels by Agatha Christie and Ruth Rendell. W H Smith has found that even young teenagers didn't want to be seen in the children's books section. "We had to hide because Stevie and the gang arrived," one 13-year old said.

What boys prefer to spend their money on

	Per cent 1992	Per cent 1988
Going out	52	55
Sweets & snacks	46	-
Magazines	42	29
Computer games	35	-
Soft drinks	35	-
Clothes	-	51
Records & tapes	-	49
Hobbies	-	29

What girls prefer to spend their money on

	Per cent 1992	Per cent 1988
Magazines	58	36
Clothes	58	51
Going out	56	65
Sweets & snacks	48	-
Soft drinks	32	-
Records & tapes	-	40
Hobbies	-	38

Source: EMAP

Gene therapy for an industry's health

Clive Cookson on UK efforts in a crucial area of research

Government, industry and scientists in the UK are scrambling to mobilise the country's resources in the international race to exploit the astonishingly rapid pace of genetic research.

At stake is the future of the only manufacturing sector in which the UK is still an undisputed world leader – pharmaceuticals. Its success has been based firmly on conventional chemistry. But a different industry will emerge over the next 20 years, based on genetics and aiming directly at the ultimate cause of disease – the genes that give instructions for every living process.

"Our historical success with a chemistry-driven pharmaceutical industry does not mean we will automatically succeed in the biology-driven industry of the future," warns Dr David Owen, industrial collaboration director at the government's Medical Research Council.

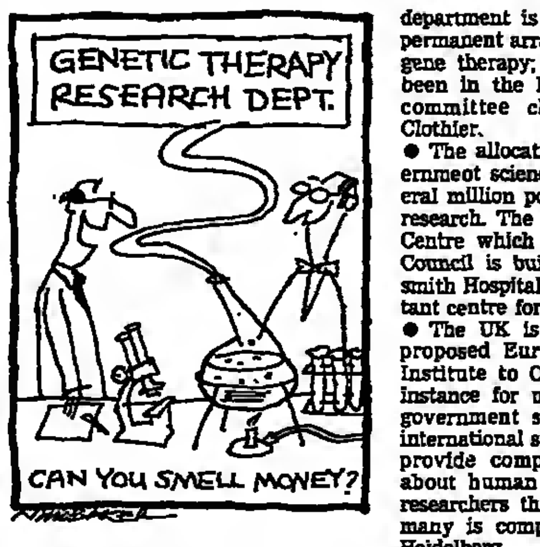
Every week, the world's molecular biologists announce the discovery of new genes associated with human disease. They are not only identifying the precise molecular causes of classic inherited disorders, such as cystic fibrosis, but are also finding unexpected evidence for the way particular genes trigger the most widespread illnesses of modern society, including forms of cancer and heart disease.

Scientists have already identified several thousand of the estimated 100,000 genes that make up the whole human genetic blueprint and, working through a loosely co-ordinated international effort known as the Human Genome Project, they expect to have decoded the entire "handbook of man" within 10 years.

At the same time, other scientists are rapidly developing ways to manipulate the newly discovered genes. More than 20 clinical trials have started within the last two years, mostly in the US. Some involve "gene therapy" – giving patients perfect copies of defective genes. Others are testing "anti-sense therapy", a bizarrely named technique for switching off malfunctioning genes. Target diseases range from rare inherited blood disorders to cancer.

Leaders of UK biomedical research such as Sir Walter Bodmer, director of the Imperial Cancer Research Fund, insist that the country's basic genetic science still matches the best in the world. But its application through human gene therapy is lagging two to three years behind the US.

Professor William Stewart, the government's chief scientific adviser, sees human gene research as the most important of all the scientific issues facing the UK. "It will make a big impact on improving health care, quality of life and industrial competitiveness," he says. Over the last month he has orchestrated a series of moves, in concert with leading scientists and the pharmaceutical industry, to improve the UK position:



● A new Advisory Committee for Human Genome Research will draw up a national strategy. Its members include research directors of the four largest UK-based drug companies (Glaxo, SmithKline Beecham, Imperial Chemical Industries and Wellcome).

● The Department of Health has approved the first UK gene therapy trial; doctors at Great Ormond Street Hospital in London will soon inject genetically engineered bone marrow cells into a child suffering from a rare immune disease. Next week the department is expected to announce permanent arrangements to supervise gene therapy; until now these have been in the hands of a temporary committee chaired by Sir Cecil Clothier.

● The allocation of next year's government science budget includes several million pounds more for genetic research. The £25m Clinical Sciences Centre which the Medical Research Council is building at the Hammersmith Hospital will become an important centre for gene therapy.

● The UK is bidding to bring the proposed European Bioinformatics Institute to Cambridge – the first instance for many years of the UK government setting out to win an international science facility. EBI will provide computerised information about human and animal genes to researchers throughout Europe. Germany is competing to host EBI in Heidelberg.

The government cannot afford to appear overtly nationalistic in its EBI campaign, for fear of offending the other 14 European nations that will pay a total of £5m a year to fund the institute. But Dr Richard Sykes, Glaxo research director, has no doubts about its potential benefits: "EBI will send a positive message to young scientists in the UK and will create excitement and enthusiasm," he says.

One advantage which Britain enjoys in increasing support for genetic science is the new wealth of the Wellcome Trust, the world's richest medical charity, after last year's sale of its majority stake in Wellcome, the drug company. That doubled the trust's income to more than £200m a year – almost as much as the state-funded MRC. Dr Bridget Ogilvie, the trust's director, has moved fast to help the MRC build genetic research facilities.

However there is nothing in the UK to match the hundreds of millions of venture capital dollars pouring into dozens of new US companies established to commercialise genome research and genetic medicine. The MRC struggled hard to attract enough seed funding to start one small company to exploit its gene therapy technology; Therexsys, as it is called, will apply the technology "in a number of disease areas including cancer, cardiovascular and inflammation".

Besides funding, an important obstacle to the exploitation of genetic research in the UK is the restrictive attitude taken by overseas companies to licensing out patents for vital techniques. The best known case is PCR, the gene-copying technology invented by Cetus in the US and bought by Roche of Switzerland for $300m.

"At present progress is being held up in critical areas, where diagnosis is being impeded," says Dr Peter Doyle, ICI research director.

Dr Sykes agrees: "The only thing some biotechnology companies have is their intellectual property so they patent everything in sight. That inhibits research."

Satisfied customer comes to defence of banks

From Ms Felicity Robertson.

Sir, Over the past 12 months criticism has been heaped upon the banks for not passing on interest rate cuts to their customers and for their often quoted "uncaring attitude" in dealings with their small business customers.

I would like to redress the balance with our experience with Barclays Bank.

We are a small (12 bedroom) country house hotel in Cornwall with average borrowings. We have benefited with a review of our monthly loan repayments at every interest rate cut including the most recent.

I have been constantly in touch with the bank's branch in Bath which could not have been more helpful and patient in working out the best arrangement for us, including extending the length of the loan to help our cash flow position. The past two years have not been all one would wish them to be for the catering industry and Cornwall particularly has suffered with many owners being forced into liquidation. With that scenario we were apprehensive about whether Barclays would further extend its loan facilities to us last year when an opportunity to expand into the next door property proved irresistible even though the timing was not opportune.

Not only did Barclays provide us with the loan, it has since extended an overdraft facility, accepting that while the business is marginally making a profit, our track record shows that once the country is out of recessionary conditions, we will be in a position to start reducing the overdraft.

I am convinced that if more small businesses kept in touch with bank managers, keeping them up to date honestly with their financial situation then the banks would be in a better position to be more helpful.

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Banks have variety of options to avoid introducing charges

From Mr Simon C Barnes.

Sir, Having worked for one of the largest banks until last year, and as a still captive customer of that bank, I think creditworthy bank customers should bear in mind a few points that weren't in your otherwise reasoned article "A charge that's set to shock" (February 9).

First, it is misleading to suggest that pressure to reintroduce charges has been caused by the fall in the base rate. The level of the base rate is not as important to the banks as lending margins, since a bank's assets comprise mainly of personal and commercial lending. While rates of interest paid to depositors have fallen, rates for borrowers have been sticky downwards, through lenders' delays in adjusting rates and because many borrowers pay high fixed-interest rates, fixed when the base rate was twice its present level. Even variable rate loans are usually subject to a minimum interest rate, below which the effect of base rate falls are not passed on to the customer. Banks' margins are probably higher now than when base rate was above 10 per cent.

On the other hand, the banks have not done enough to rationalise their cost bases. Consequently, too large a part of bank charges is required to fund overheads. If Marks and Spencer, with some 300 branches, can provide retail services used on occasion by a majority of the population, why do the top banks still need to maintain thousands of branches? Too little has been invested in information technology to increase efficiency.

The banks could avoid introducing across-the-board fees, which would prove most unpopular, by charging for certain services. The logical extension of the banks' joint campaigns to encourage use of Switch and direct debits would be to introduce charges on cheques. This would go some way to offsetting the cost of each cheque processed (about 70 pence). "Free" banking could also be linked to the sales of other products and services, without compromising standards, since none of the main banks (and only three building societies) now normally offer independent financial advice.

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Legislation needs costing

From Mr Bernard Manson.

Sir, You report that the number of civil servants is increasing ("Whitehall fails to keep its numbers in check", February 8). If the government is serious about reducing their numbers, may I recommend that it passes the following Act of parliament:

"Each Bill placed before parliament shall contain an accurate estimate of the number of civil servants needed to implement the provisions therein."

This would be a useful lever to encourage the government to give a cost-benefit justification of proposed legislation. It is not unreasonable to hope that it would at least marginally reduce the flow of legislation, thus easing the pressure on the civil service.

Bernard Manson,
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Pensions argument rests on long-term low inflation

From Mr Tim Scholefield.

Sir, In discussing the pressure on UK pension funds to increase holdings of bonds ("Time to tilt the balance", February 9), Mr Plender takes a remarkably sanguine view of the outlook for UK inflation.

The case for a permanent increase in bond weightings at the expense of equities must surely rest with a belief that the UK economy has somehow achieved a fundamental improvement in its ability to deliver lower inflation over the entire economic cycle. Few would argue that events since September 1992 have reduced the uncertainty over the ultimate course of inflation, since, having abandoned the ERM, the UK authorities have failed to establish a credible medium-term economic strategy.

Equally, UK economic history suggests the ultimate consequence of a sharply weaker pound is higher inflation. Lastly, given the state of public finances, it would be dangerous to ignore the attractions of higher inflation as a means of reducing the real burden of government debt. Hence, from a longer-term asset allocation perspective, the case for a sustained reduction in equity weightings becomes less convincing, and dangers inherent in assuming that inflation has been permanently laid low are understated.

Tim Scholefield,
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Gone and possibly forgotten

From Dr Garry E Hunt.

Sir, When examining the case of the vanishing IT directors ("Survival of the best qualified", February 10), perhaps it should be noted that in the US the acronym CIO (chief information officer) simply means Career Is Over!

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28% advance despite sharp fall in UK retail banking profits

Lloyds Bank rises to £801m

By John Gapper and David Owen

LLOYDS BANK yesterday disclosed a 28 per cent rise in pre-tax profits to £801m, despite a sharp fall in UK retail bank profits from £105m to £5m. This was partly caused by losses on small and medium-sized business lending.

The bank announced a 10 per cent increase in its dividend to 18.4p (16.7p). This was criticised by Mr Gordon Brown, Labour's shadow chancellor, who said it reinforced the case for a full-scale inquiry into banking practices.

Lloyds' profits were at the top end of expectations. The shares opened at 528p and rose to 543p on the announcement, closing at 534p.

The results were helped by a net release of £122m (£40m) of problem country debt, and increased profits on foreign exchange trading income of £136m (£72m) because of currency volatility.

Pre-tax profits were raised £153m because Lloyds decided not to attribute this portion of a £203m cut in the valuation of its British premises to profit and loss. Directors decided that only £50m of the deficit would be permanent.

Sir Robin Ibbs, Lloyds' chairman, said the figures for UK retail banking were disappointing, but losses on small and medium-sized lending showed that criticism of banks' behaviour in the sector had been "enormously exaggerated".

Sir Robin said he would not comment on speculation that Lloyds might bid for another bank. But he said Lloyds remained "convinced that sooner or later substantial restructuring of the industry will have to take place."

The bank's operating profit before provisions rose 2 per cent to £1.54bn (£1.5bn). Operating income remained virtually unchanged at £3.99bn (£3.98bn), while operating expenses fell by 1 per cent to £2.46bn (£2.48bn).

Overall net interest income dropped 5 per cent to £2.23bn. The volume of domestic loans fell 11 per cent to £1.82bn, and the net interest margin on domestic loans narrowed to 5.01 per cent (5.33 per cent).

Shareholders' funds rose 10 per cent to £2.73bn (£2.48bn), and total assets rose to £61bn (£56.1bn). The bank's total risk asset ratio strengthened to 10.5 per cent (9.7 per cent), while tier 1 capital rose to 6.5 per cent (6.2 per cent).

Dividend cover was 1.9 times (1.7 times), and net asset value per share rose 9 per cent to 215p (197p). Earnings increased by 26 per cent to 35p (27.7p).

Pre-tax return on shareholders' equity advanced to 26.1 per cent (21 per cent). Post-tax return on average shareholders' equity rose to 16.9 per cent (14.5 per cent). Pre-tax return on average assets improved to 1.5 per cent (1.15 per cent).

Mr Alan Beith, Liberal Democrat Treasury spokesman, said that small businesses would view the figures "with great suspicion. It seemed unfair that banks were raising prices just as small businesses were cutting theirs to stay afloat."

Pausing to reflect on strategy

Lloyds' result gives Pitman plenty to mull over, reports John Gapper

MR BRIAN PITMAN was performing his role as British banking's philosopher king yesterday as the Lloyds chief executive pondered what the future held for his bank.

The bank's struggle to maintain profitability in its British retail business, and speculation that it may soon seek an acquisition, gave him plenty to mull over.

Lloyds' results, the first of the UK clearing banks to report its full-year results for 1992, had some encouraging aspects for the sector. It achieved a modest rise in operating profits to £1.5bn, and its pre-tax profits rise was aided by a net £122m release of Latin American debt provisions.

Among the highlights of the results were much improved earnings from foreign exchange trading, caused by currency volatility last year. This income rose from £72m in 1991 to £136m, and Mr Pitman emphasised that earnings were likely to continue at a high level while volatility remained.

The bank held down its costs – reducing operating expenses by £20m and cutting its ratio of costs to income from 62.3 per cent to 61.6 per cent. It reduced its employees by 4,159, or 6 per cent, and its staff numbers are now 22 per cent down on their peak in the expansionary late-1980s.

It also displayed a far better performance in its corporate banking and treasury division as provisions for lending to companies with turnover above £25m fell from £228m to £58m. The division's performance rebounded from a small loss of £1m in 1991 to healthy profit of £174m last year.

But despite these achievements, the results also displayed a fundamental challenge to Lloyds in keeping up its record as Britain's most profitable clearing bank. Profits in the UK retail bank, which has traditionally generated much of its earnings, fell sharply, from £105m in 1991 to just £5m.

This performance partly reflected the size of provisions on lending to small and medium-sized businesses, which Mr Pitman emphasised yesterday had been loss-making in 1992. Provisions for corporate and personal lending in the retail bank rose obstinately to £563m from £551m as other provisions fell.

More fundamentally for Lloyds' long-term performance in the domestic market, it showed the domestic profit squeeze created by the combination of a fall in loan volumes and a reduction in base rates. The second produced a 32 basis point cut in domestic net interest margin, and cost the bank £115m.

This prompts a fundamental question over Lloyds' future: whether its current UK business can raise loan volumes and margins – as well as fee income – enough to renew profit growth. The alternatives are to sit on its current capital strength, or to seek an acquisition to provide growth.

Mr Pitman was not giving anything specific away yesterday, but he had many general thoughts. The first was that the bank would be happy to keep strengthening capital. "We are going to make ourselves as strong as possible, so we can take knocks, and take advantage of any opportunities," he said.

Although the second half of the year showed a 9 per cent growth in interest-earning assets over the first, Mr Pitman insisted that the bank would remain careful. "Chasing market share just for sheer volume always ends in tears, though the tears may take two or three years," he said.

Trevor Humphries

Brian Pitman: still seeking ways of achieving consolidation

Mr Pitman argued that Lloyds' capital strength and retail profitability were not the only reasons for it to reflect carefully on strategy. Another was uncertainty over whether Britain was in long period of low inflation and interest rates – something on which Lloyds directors have mixed views.

If so – and if gilts then held an attractive enough yield over bank base rates – then it might make sense for the bank to return to the tradition of not being "fully lent". Instead of offering using all its funds in loans, it could instead invest in government gilts or on swaps markets.

But this uncertainty over strategy does not mean Mr Pitman has abandoned his view that the British banking market is due for rationalisation. Despite the failure of the Midland bid – which cost Lloyds £4m – he believes his well-capitalised bank should still look for ways of achieving consolidation.

"The gap between good performers and poor performers will continue to widen, and if you look at US bank mergers it is usually a strong bank taking over a weak one," he said. He said this was one reason why he was sanguine at the moment to allow the bank's capital ratios to keep climbing.

He did not give the impression that his thoughts were confined to looking for weakness in the TSB Group and Royal Bank of Scotland. "I will be terribly interested to see the other bank results. I think there is a tremendous amount of hope value in other shares," he said.

Private banking bad debts rise to £21m

LLOYDS Bank disclosed yesterday that provisions against bad and doubtful debts in private banking increased from £5m to £21m largely because of a single bad debt provision in its international private banking operations, writes John Gapper.

About £12m of the provision is believed to relate to an incident involving an employee at its Geneva branch, who disappeared last year following the discovery of £11.6m in losses on unauthorised foreign exchange dealings.

Geneva police put out a warrant for the arrest of the Lloyds' employee in August, and Lloyds said at the time that clients' money was not involved. The branch specialises in portfolio management for wealthy clients.

Sir Robin Ibbs, Lloyds' chairman, said yesterday that the bank could make no comment on the £21m provision beyond the fact that it largely related to a single incident in its private banking operations overseas.

The Lloyds' incident was one of two irregularities disclosed in a British-owned bank in Switzerland last year. Rothschild Bank, an affiliate of NM Rothschild & Sons in London, had to shore up its equity base after large loan losses.

Investigators in Geneva said in August that the Lloyds employee, who was believed to have fled to Egypt, was a portfolio manager for some of Lloyds' Middle East clients.

Some clients instructed him to put their money into foreign exchange futures and instruments only offering the possibility of capital gain because they wanted to comply with the Koran's prohibition of interest-bearing investments.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	–	68	52	Intl. Food Machinery	62		–	–	–	–
§10½	F.P.	–	725	707	Mauritius Fund	725		–	–	–	–
§210	F.P.	–	280	262	Motor World	276	+1	R6.3	2.5	3.0	17.2
–	F.P.	–	98	86	New City & Comml. Inv	86	–1	–	–	–	–
–	F.P.	–	28	21	Do Warrants	21		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
–	F.P.	–	105p	102¼p	Airtours 6¼p (Net) Cv Pf (ex-div)	104½p	
100p	F.P.	–	120½p	115½p	Bristol Water 8¾pc Pf	120½p	+½
100p	F.P.	–	110¼p	105¼p	Commercial Union 8¾pc Cm Pf.	110¼p	+½
100p	Nil	–	40pm	35pm	First Natl Finance 7pc Cv Rd Pf.	35pm	
100	F.P.	–	114¼	109¼	NFC 7¼pc Cv. Bd. 2007	109¼	
100	F.P.	–	101	100½	New City & Commercial RPI Deb 2006	101	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
53	Nil	26/3	10¼pm	4½pm	ASDA	7pm	+2
60	Nil	12/3	15½pm	9pm	Barton	9½pm	
490	Nil	24/3	96pm	84pm	Commercial Union	96pm	+6
15	Nil	29/3	3½pm	1½pm	ML Holdings	3½pm	
25	10p	1/3	22	12	Property Trust	22	
32	Nil	15/3	13pm	9½pm	Stakis	12½pm	+3
480	Nil	21/5	126pm	58pm	Wessex Water	126pm	+4
260	Nil	22/3	63pm	39pm	Whessoe	59pm	+1

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. ¶ Placing price. †† Reintroduction. § Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Feb. 8
- Last Dealings Feb. 19
- Last Declarations May 20
- For settlement June 1

3-month call rate indications are shown on page 11.

Calls in Amber Day, ASDA, Aitken Hume, Avesco, Bercom, Colorgen, Control Techniques, Cullens, Diploma, Domino Printing, Ferranti, Glaxo, Microvitec, NSM, Premier Cons., Tadpole Tech., Taylor Woodrow, Trafalgar House and Walker Greenbank. Doubles in Aitken Hume, Amber Day, Barcom, Control Techniques, NSM and Premier Cons.

Unigate launches £50m bid for Clifford

By Guy de Jonquières, Consumer Industries Editor

UNIGATE, Britain's fourth largest dairy group, yesterday launched a £50.37m recommended cash bid for Clifford Foods, the Berkshire-based dairy, juices and food company which recently suffered a sharp drop in profits.

Unigate is offering 573p for each Clifford ordinary share and 251p for each non-voting A share. The bid has been accepted by Clifford's directors and family shareholders, who together control 51.8 per cent of the ordinary shares.

Unigate said it expected the acquisition to enhance earnings in the first year. It would add about 3 percentage points to Unigate's share of the liquid milk market in England and Wales, taking it to about 16 per cent.

Clifford has two milk processing facilities and five depots in southern England and provides doorstep deliveries to 170,000 customers. It also produces fruit juices, food ingredients and chilled and frozen convenience meals.

Mr Ross Buckland, Unigate chief executive, said the addition of Clifford would strengthen its group's dairy business, which covers a band stretching across the south of the country from Kent to Cornwall. As well as expanding the dairy capacity, the acquisition would provide a modern fruit juice plant to replace a Unigate facility in London due to close shortly.

Clifford's pre-tax profits fell 60 per cent to £1.03m in the first half last year on turnover of £70.1m. It blamed the cost of modernising a dairy, lower sales of convenience foods and the impact of price-cutting on supermarket milk sales.

The deal is conditional on there being no reference to the Monopolies and Mergers Commission, but Mr Buckland said he expected no competition policy problems. Clifford's share price closed at 473p yesterday, down 50p, while Unigate closed at 342p, up 15p.

Unigate, which is also involved in food processing, road transport and used car auctions, has steadily added to its liquid milk operations recently. Last year it acquired two small dairies, Abbots and Sussex, and last month acquired some of the Co-operative Wholesale Society's milk distribution businesses.

This is the second time Unigate has bid for Clifford. Its first offer, which was hostile, was rejected in 1980.

£38m raised for F&C Smaller

By John Authers

Foreign & Colonial Management, the fund management group, has raised £37.5m for its new F&C US Smaller Companies investment trust.

The offer was sponsored by Cazenove, and funds were evenly split between institutional and retail investors.

The capital structure involves ordinary shares at an issue price of 100p per share, with warrants attached on a 1-for-5 basis.

The warrants have a nine-year life and an exercise price of 100p. Dealings start on March 11.

See Weekend FT page V

Changes by Isosceles chief lead to departures

By Maggie Urry

MR DAVID Simons, the new chief executive at Isosceles, yesterday moved to simplify the management structure of the Gateway food retail business and put the development of new retail formats "on pause".

He said a review of head office costs had started this week which would take between 10 and 12 weeks to complete.

As part of the changes, two directors are leaving the company. They are Mr Paul Highett-Smith, the buying director, and Mr Jim Grant, managing director of the Somerfield chain. Mr Simons said that terms of their departure were still being negotiated.

Earlier this week Isosceles, the vehicle for the £2.1bn 1989 leveraged buy-out of Gateway, agreed the sale of Herman's Sporting Goods, the US chain, leaving Gateway as the only operating business. Isosceles is currently working on a business plan to put to its lenders and shareholders as the basis of a refinancing of the group's £1.4bn of loans.

Gateway includes a number of different fascias, some of which the previous management had been rolling out to replace the Gateway name. Mr Simons, who joined the group on January 4, has decided to put the development of the Somerfield format on pause. He said "the fascia dabate is a non-debate. We must upgrade the quality of what we do inside the store before the outside of the store".

He plans to merge most of the different business units within Gateway's head office in Bristol. Mr Simons said this would avoid duplication, improve accountability and make for a more efficient organisation.

However, the Food Giant discount store business will remain separate, he said, because "the mindset of a discount operation is so different we could destroy the concept if it was mixed in".

Mr David Jury, from the Gateway chain, is to become store operations director.

The London head office of Isosceles will close at the end of April, and the boards of the two companies are being merged. Isosceles held its board meeting in Bristol for the first time on Thursday.

Mr Simons denied suggestions that structural changes were being made because the group's lenders had demanded cost cuts. He said "this is not about money, it is about a simpler organisation".

He said that the business plan now being finalised aimed to address Gateway's problems. These included systems which were 3 to 5 years behind its main competitors, the fact that "we have allowed ourselves to get into a position of price uncompetitiveness", and Gateway had been "lousy at executing things we had said we would do".

Priorities would be "making sure the shelves were full and tidy, the chiller cabinets are working and the staff are interested".

Poor availability of stock in the stores had meant pre-Christmas sales had been weak. Gateway had been going through a period of "sharp decline in sales" but in recent days that decline was slowing, he said.

He said that the group's lenders and shareholders were being supportive. Rumours that Wasserstein Perella, the US investment house which has a veto through its holding of half the A shares, had refused to support the refinancing were "absolute bunkum".

Discussions on the refinancing would not start until there was a business plan on the table, he said.

Liquidation for Belling as trade creditors fight unusual contest

By Norma Cohen and Peggy Hollinger

LIQUIDATORS were appointed yesterday to Belling, the cooker manufacturer which collapsed in May, after an unusual contest between groups of trade creditors.

Buchler Phillips and Touche Ross were elected joint liquidators with the support of some creditors and the Belling pension fund.

The opponents, which had backed Cork Gully and Robson Rhodes, are seeking to limit claims against the estate by the pension fund, whose current trustees are seeking £8m.

The creditors argued during a four-hour meeting yesterday that a portion of the pension scheme claim may be dubious and consequently should not be granted full voting rights.

The pension scheme was allowed to vote £6.9m of its £8m claim, according to Mr David Buchler, partner at Buchler Phillips. This appears to have been crucial to Buchler's and Touche's election.

The former trustees of the pension scheme, Mr Richard Belling and Mr Michael Stewart – chairman and finance director of Belling respectively – have been served with writs by the current trustees, Law Debenture Corporation.

The writs seek the return of £2.1m representing a payment from the fund authorised by the trustees to a Staffordshire-based solicitor Mr Charles Deacon, intended as an advance for a $50m loan to Belling itself.

Also, a total of £5.5m is claimed in connection with the pension fund's acquisition of a subsidiary of Belling.

Touche Ross, told creditors yesterday they might receive no more than 10p in the pound from the liquidation.

A severance claim by employees – many of whom are owed holiday pay and some wages – was being examined by the liquidators, Touche Ross said.

The pension fund, represented by The Law Debenture Trust, is seeking to receive at least £2m of its £8m claim directly rather than as a dividend from the general fund.

However, trade creditors are anxious that all claims should be treated equally.

This forms part of their argument against the appointment of liquidators supported by the pension scheme's trustees.

"The fund is competing for the return of £2m and we feel it needs an independent examination of whether that should be spread among other creditors", said Mr David Cooke, a solicitor representing some 70 creditors owed about £8m. "The liquidator should not be seen to have been elected on the reliance of the pension fund votes."

BP to spend $840m upgrading refinery

By Deborah Hargreaves

British Petroleum is to spend $840m (£556.2m) to upgrade its Singapore refinery so that it will be able to produce more environmentally-friendly fuels.

Mr Russell Seal, BP Oil's chief executive, said the project would position the refinery as a benchmark in the region and enable the company to take advantage of the growing market for transport fuels.

The refinery is on the southern tip of Singapore at Palau Merliman.

The Japanese Gasoline Corporation, which originally built the plant, has been awarded the contract to upgrade the 220,000-barrel refinery. The work is due to be completed in 1995. The refinery is a joint venture between BP, the Singapore Petroleum Company and Caltex – a partnership between Chevron and Texaco.

The improvement will involve the construction of a residue cracker which will enable the plant to process heavy fuel oil and turn it into petrol – including unleaded – and diesel. It will also include a hydrofiner capable of reducing sulphur levels in diesel to acceptable levels.

The south-east Asian market for oil products has been one of the few areas to show growth over the past two years and oil demand remains strong while it has been stagnant in the US and Europe.

Asprey and Mallett talks end

By Paul Taylor

ASPREY, the USM-quoted jeweller, has ended its takeover discussions with Mallett, the Mayfair-based antiques dealer.

Mallett confirmed in December that it had received a takeover approach. Although it did not identify its suitor, the announcement came shortly after Asprey's chief executive, Mr Naim Attallah, confirmed that his company had acquired a 6.8 per cent equity stake in Mallett "for investment purposes."

Yesterday Mallett announced that the talks had been terminated. It is understood that the two sides could not agree on a price.

In its statement yesterday, Mallett, noted that at the time of the approach its interim results had shown a pre-tax loss of £485,000 (£880,000 profit) in the six months to June 30 and Mallett directors had passed the interim dividend.

At that stage the group had said that trading was extremely difficult in all areas of the group, partly because of the strength of sterling.

The full year results will be announced later this month, but the company said yesterday that the fine art market improved significantly in the final quarter of 1992 after the value of sterling slumped.

As a result, Mallett made a profit in its second half and will announce pre-tax profits of not less than £500,000 for the full year.

In addition, Mallett said its borrowings, which reached £2.3m at one stage last year, had been eliminated and that it ended the year with net cash which should enable it to pay a 2p final dividend.

The company statement added that although it was too soon to forecast the outcome for 1993, trading results so far showed a continued improvement compared with last year. Mallett's share price closed 2p lower at 68p.

Cupid may seek cash injection

By Jane Fuller

CUPID has not had the run-up to Valentine's Day that it might have wished in terms of sales, but the bridal wear group's attractions to a group of new investors are expected to lead to a cash injection.

An announcement is expected soon about the fund raising, which is likely to involve some individual equity investors. The move might be linked to board appointments.

The USM-quoted company warned yesterday that it would make "a substantial loss" for the year to March 31. This comes only two months after it said pre-tax profits would be no more than last year's £867,000.

The share price has been hitting new lows ever since and yesterday shed another 3p to close at 35p.

The December warning was accompanied by news of the resignation of the founder, Mr Michael Murray, as chief executive after a disagreement with the rest of the board.

Mr Richard Lee, chairman, has taken on the role temporarily, leading a review of the business. As a result, activities are being concentrated on two sites instead of five. The head office is being moved from Accrington to the main factory in Blackburn.

The cost of these cuts is one reason for the company falling into the red. The other is that sales of bridal wear and nursery products have fallen below budget in the crucial last quarter of the year.

If there is another equity issue it will be the third in little more than two years. Last June a 1-for-2 rights issue, priced at 82p a share, raised £2.68m. However, more than 80 per cent was left with the underwriters.

The proceeds helped ease net debt of £4.2m – gearing of 93 per cent – built up partly through the acquisition of the Youngs formal wear business.

In December 1990 the acquisition of the Pronuptia retail chain was accompanied by a placing and offer which doubled the equity.

Cupid's share price peaked at 143p in July 1989, shortly before it moved up from the Third Market to the USM. It also rose to more than 120p ahead of last June's rights.

NEWS DIGEST

Bucknall losses trimmed

A DIFFICULT period for Bucknall Group saw the construction consultancy group trim its interim pre-tax losses from £752,000 to £745,000, after continuing rationalisation to eliminate loss-making businesses.

Operating losses from continuing businesses fell to £411,000 (£528,000) for the half year to October 31, on turnover of £7.15m (£7.56m).

After restructuring costs – mainly for redundancies – overall operating deficit was £607,000 (£571,000). Interest took £138,000 (£181,000).

Losses per share emerged at 5.7p (5.6p). There was again no interim dividend.

Mr Richard Miles, chairman, said considerable progress had been made in stabilising the group and he was confident that results would show further improvement in the next six months.

Asset value rises at Anglo & Overseas

Net asset value per share at Anglo & Overseas Trust stood at 379.6p at December 31 compared with 317.3p a year earlier.

Net revenue for the 12 months improved from £7.35m to £8.97m for earnings per share of 7.78p (6.36p). The directors are recommending a final dividend of 5.1p (4.7p), payable April 21, to lift the total pay-out from 6.45p to 6.85p.

River & Mercantile shows increase

River & Mercantile Trust had a net asset value of 150.39p per capital share at December 31 1992 against 111.97p a year earlier. The value per income share was 67.94p compared with 63.18p.

Net revenue for the year improved to £9.82m (£6.68m). Earnings per share amounted to 10.05p (8.72p) and the proposed final dividend is reduced to 2.45p (3.68p) making 9.2p (8.48p).

Hawthorn Leslie in possible bid talks

Hawthorn Leslie, the USM-quoted maker of electronic goods and toys, said yesterday that it was in talks which might lead to a bid being made for the company.

Any offer would be at a discount to the current share price, it said. The company's shares closed down ¼p at 2¾p.

No offer would be made unless Hawthorn concluded a final settlement with the funders of CP Finance and Leasing, the group's leasing subsidiary. Hawthorn said that such an agreement, subject to contract, had been reached.

Rentokil makes three purchases

Rentokil Group, the environmental services and property care group, has made three international acquisitions costing £2.1m in cash.

In Portugal, the group has paid Es280m (£1.37m) for the pest control business of Bayer Portugal. Mr Clive Thompson, chief executive, said that added to its existing business, the acquisition meant that Rentokil was now leader in the Portuguese market.

In the US, the group has made the "bolt-on" acquisition of the tropical plants rental, sale and maintenance business of Green Expectations, in Dallas, Texas, for $1m (£700,000).

The third, and smallest acquisition, for BFr1.1m (£22,000) is the pest control business of NV Th. Goldschmidt in Brussels.

M T W T F S S

ECONOMIC DIARY

TODAY: National Savings results (January).
TOMORROW: Defence show opens in Abu Dhabi (until February 18).
MONDAY: The economic and finance ministers of the European Community meet in Brussels. Slovak presidential election. Interior ministers from 35 countries and representatives of six international organisations meet in Budapest to discuss illegal immmigration in Europe (until February 16).
TUESDAY: CBI survey of distributive trades (January). UK acquisitions and mergers (fourth quarter). Public sector borrowing requirement (January). Index of production (December). Financing of the central government borrowing requirement (fourth quarter).
WEDNESDAY: Retail sales (January). US housing starts-building permits (January). Mr Bill Clinton, US president, to address joint session of Congress.
THURSDAY: Labour market statistics: unemployment and unfilled vacancies (January-provisional); average earnings indices (December-provisional); employment, hours, productivity and unit wage costs; industrial disputes. Major British banking groups' monthly statement (January). Provisional estimates of monetary aggregates (January). Building societies monthly figures (January). Provisional figures of vehicle production (January). US jobless claims; consumer price index (January); merchandise trade (December); industrial production-capacity use (January); real earnings (January). Mr Jaques Delors, president of the European Commission, holds key talks in Rome with the Italian government. Bundesbank central council meets. Greek civil servants stage 24-hour strike.
FRIDAY: Manufacturers and distributors stocks (fourth quarter-provisional). Mr Nelson Mandela, African National Congress leader, opens world apartheid conference in Johannesburg.

LIFFE EQUITY OPTIONS

Option		CALLS	PUTS
Allid Lyons (*583)		[illegible]	[illegible]
ASDA (*60)		[illegible]	[illegible]
Brit. Airways (*283)		[illegible]	[illegible]
SmKl Bchm A (*465)		[illegible]	[illegible]
Boots (*490)		[illegible]	[illegible]
B.P. (*273)		[illegible]	[illegible]
British Steel (*77)		[illegible]	[illegible]
Bass (*580)		[illegible]	[illegible]
C & Wire (*719)		[illegible]	[illegible]
Courtaulds (*576)		[illegible]	[illegible]
Com. Union (*605)		[illegible]	[illegible]
Fisons (*240)		[illegible]	[illegible]
GKN (*453)		[illegible]	[illegible]
Grand Met (*440)		[illegible]	[illegible]
I.C.I. (*1160)		[illegible]	[illegible]
Kingfisher (*528)		[illegible]	[illegible]
Ladbroke (*194)		[illegible]	[illegible]
Land Secur (*484)		[illegible]	[illegible]
M & S (*330)		[illegible]	[illegible]
Sainsbury (*529)		[illegible]	[illegible]
Shell Trans (*590)		[illegible]	[illegible]
Storehouse (*182)		[illegible]	[illegible]
Trafalgar (*76)		[illegible]	[illegible]
Utd. Biscuits (*343)		[illegible]	[illegible]
Unilever (*1158)		[illegible]	[illegible]
Brit Aero (*258)		[illegible]	[illegible]
[illegible]		[illegible]	[illegible]

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p	Cadburys	35	HSBC (75p shs)	30	Ratners	3	Land Sec.	40
Allied-Lyons	50	Charter Cons.	52	Hanson	20	Reed Intl	52	MEPC	30
Amstrad	3½	Comm Union	52	ICI	75	Sears	9	Mountleigh	4
Astec (BSR)	3½	Courtaulds	48	Ladbroke	15	SmKl Bchm A	40	OILS	
BAT Inds	75	Eurotunnel	30	Legal & Gen	35	TI	28	Arcon Intl.	32
BOC	56	FKI	12	Lex Service	12	TSB	12	Aviva Pet	5
BTR	41	FNFC	7	Lloyds Bank	45	Tesco	20	BP	21
Barclays	30	Forte	14	Lonrho	7	Thorn EMI	70	Burmah Castrol	80
Blue Circle	22	GKN	40	Lucas Inds	13	T & N	15	Premier Cons	3
Boots	42	Gen Accident	31	Marks Spencer	25	Unilever	72	Shell	
Bowater	40	GEC	22	NatWest Bank	30	Vickers	9	MINES	
Brit Aerospace	24	Glaxo	56	P & O Dfd	45	Wellcome	75	RTZ	52
British Steel	8	Grand Met	40	Racal Elect	17	PROPERTY			
Brit Telecom	28	GRE	15	Rank Org	53	Brit Land	7		

FT FIXED INTEREST INDICES

	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Year ago	High*	Low*
Govt Secs (UK)	95.72	94.85	95.06	95.03	95.34	88.06	95.72	88.11
Fixed Interest	111.18	110.56	110.65	110.63	110.82	101.03	111.18	97.15

* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 111.18 (12/2/93), low 50.53 (3/1/75). Basis 100 Government Securities 15/10/26, Fixed Interest 1928.

GILT EDGED ACTIVITY

	Gilt edged bargains	5-day average
Feb 11	136.5	149.7
Feb 10	141.8	155.8
Feb 9	161.0	150.9
Feb 8	182.3	159.8
Feb 5	147.0	159.7

* SE activity indices rebased 1974

COMMODITIES

WEEK IN THE MARKETS

Zinc price rally goes into reverse

THE PARTY seems to be over for the zinc market – for the time being at least. The rally sparked off two weeks ago by news of an Australian output cut became history this week when prices at the London Metal Exchange slipped back to the levels ruling before the cut was announced.

The zinc market had been trading sideways for some time before it was wakened from its slumber on January 28 by Pasminco's announcement that it was restructuring its loss-making lead and zinc operations at Broken Hill, New South Wales, with the result that zinc production would be reduced by 25,000 tonnes a year. While the tonnage involved looked unimpressive when set against the 1m tonnes of zinc in western world stocks the news raised hopes that enough companies would follow Pasminco's lead for substantial inroads to be made into those stocks.

Those hopes were nourished last week when Cominco of Canada, and Ruhr-Zinc of Germany, a Metallgesellschaft subsidiary, weighed in with cuts amounting to 80,000 tonnes this year. That was enough to keep the three months delivery price near the post-Pasminco peak of $1,137 a tonne, but the market was still looking for more, much more.

In the absence of further cuts this week – the only production announcement was about a 70,000-80,000-tonnes-a-year *rise* planned by Spain's Asturiana de Zinc – the market went into reverse. As LME warehouse stocks of the metal rose by another 12,300 tonnes on the week to a record 537,225 tonnes the three months price slid close to $1,070 before finding support yesterday. At the close it stood at $1,082 a tonne, down $46 on the week.

The copper price was supported early in the week by the threat of a strike by workers at Poland's KGHM, but it went into decline when the strike plan was called off and the three months position, which had peaked at £1,585 on Tuesday, closed yesterday at £1,581.75 a tonne, up £26 on the week. However, sterling's weakness was again the main support of copper; in terms of the US currency the price was down $8 on the week.

Dealers said hopes raised by improving US economic data were counteracted by low European physical offtake of copper and by the continuing high level of CIS shipments.

The strongest LME contract was nickel, which reached four-week highs early on and moved on to $6,170 a tonne for three months metal in mid-week as concern about tight scrap supplies in western Europe was backed up by bullish technical factors. The investment fund buying that had fuelled the rise then dried up, however, and the price dropped back by about $100 before recovering yesterday to $6,152.50 a tonne, up $225 on the week.

Among the precious metals palladium was the liveliest performer as supply tightness, widely attributed to reduced Russian shipments, encouraged Japanese buyers. The London price climbed to $119 a troy ounce, adding $4.10 to last week's $2.75 advance, before falling back $3 yesterday after a Russian official insisted that his country was still meeting all contracts to supply the metal to world markets. Traders had earlier suggested that increased Russian sales to the Far East had reduced availability for the US and Europe.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+3,875	to 1,639,300
Copper	+1,500	to 318,875
Lead	+1,400	to 235,200
Nickel	+486	to 80,304
Zinc	+4,900	to 537,225
Tin	-25	to 16,930

The gold market tried to break through both ends of its recent narrow trading range this week. Physical offtake prevented a breach of the $327-an-ounce level on Monday and a move above $332 on Thursday ran into determined selling. Yesterday the price fell back $3.30 to $328.45, up 45 cents on the week, and some traders were predicting a renewed test of the $327 support.

At the London Futures and Options Exchange's robusta coffee market bearish technical factors continued to vie with bullish fundamentals – and a narrow verdict went in favour of the former. Heavy selling in New York's arabica coffee market on Monday night was followed by a dip to $853 a tonne for London's May delivery position on Tuesday. But the buyers were soon back and the price touched $945 a tonne on Thursday. Yesterday saw another swing of the pendulum, however, and the London price closed at $916 a tonne, down $15 on the week.

Thursday's strength had been encouraged by news that Brazilian coffee exports dropped sharply in January compared with the same month last year. Shipments were down 71.2 per cent, from 2m bags (60 kg each) to 578,000 bags. With an average price of $53.88 a bag, compared with $68.95 in January 1992, revenues were down even more sharply, by 77.5 per cent.

In addition to reduced supply, the drop was blamed on a seven-day port strike, according to the Brazilian Federation of Coffee Exporters.

Latin-American coffee-growing nations were yesterday expected to sign a declaration aimed at kick-starting stalled efforts at reaching a new economic coffee pact, Venezuela's deputy foreign minister said in Caracas, according to the Reuter news agency.

Mr Fernando Gerbasi said the statement would be directed at the International Coffee Organisation and would be signed by regional presidents who are in Caracas to forge a free trade pact between Central America, Venezuela and Colombia. "Our intention is to make a call for us to once again enter into negotiations, especially with important countries that have a special weight on production," he said.

Richard Mooney

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Fri Feb 12	Day's change %	Thu Feb 11	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (23)	129.21	+0.23	128.91	1.49	1.72
2	5-15 years (23)	148.29	+0.98	146.85	2.03	2.01
3	Over 15 years (9)	155.16	+2.07	152.02	1.67	1.28
4	Irredeemables (6)	174.50	+0.66	173.37	3.04	0.00
5	All stocks (61)	144.27	+0.91	142.98	1.80	1.79
	Index-Linked					
6	Up to 5 years (2)	184.10	-0.11	184.31	-0.03	1.51
7	Over 5 years (12)	169.89	-0.12	170.09	0.79	0.62
8	All stocks (14)	170.62	-0.12	170.82	0.68	0.74
9	Debs & Loans (61)	126.82	+1.02	125.53	3.28	0.26

AVERAGE GROSS REDEMPTION YIELDS

			Fri Feb 12	Thu Feb 11	Year ago (approx.)	1992/93 High	1992/93 Low
	British Government						
1	Low	5 years	6.33	6.53	8.64	10.03 15/9 /92	6.33 12/2 /93
2	Coupons	15 years	7.92	8.14	9.19	9.72 1 /4 /92	7.92 12/2 /93
3	(0%-7¾%)	20 years	0.28	8.47	9.19	9.72 1 /4 /92	0.28 12/2 /93
4	Medium	5 years	6.95	7.03	9.43	10.28 1 /4 /92	6.95 12/2 /93
5	Coupons	15 years	0.43	8.62	9.26	9.82 1 /4 /92	8.43 12/2 /93
6	(8%-10¾%)	20 years	8.62	8.83	9.22	9.76 1 /4 /92	8.62 12/2 /93
7	High	5 years	7.09	7.22	9.67	18.50 1 /4 /92	7.09 12/2 /93
8	Coupons	15 years	8.72	8.90	9.36	9.96 1 /4 /92	8.72 12/2 /93
9	(11%-)	20 years	8.82	8.99	9.29	9.90 5 /10/92	8.82 12/2 /93
10	Irredeemables (Flat Yield)		8.78	8.83	9.39	9.92 2 /4 /92	8.69 11/11/92
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	1.82	2.22	3.66	5.06 16/9 /92	1.82 12/2 /93
12	Inflation rate 5%	Over 5 yrs.	3.55	3.63	4.27	4.76 16/9 /92	3.55 12/2 /93
13	Inflation rate 10%	Up to 5 yrs.	8.92	1.43	2.95	4.23 16/9 /92	8.92 12/2 /93
14	Inflation rate 10%	Over 5 yrs.	3.35	3.45	4.08	4.56 16/9 /92	3.35 12/2 /93
15	Debs &	5 years	8.56	8.70	10.83	11.51 6 /4 /92	0.56 12/2 /93
16	Loans	15 years	9.53	9.67	10.63	11.22 6 /4 /92	9.53 12/2 /93
17		25 years	9.79	9.91	10.47	11.82 6 /4 /92	9.79 12/2 /93

INTERNATIONAL COMPANIES AND FINANCE

Bronfmans sell Labatt stake for close to C$1bn

By Bernard Simon in Toronto

CANADA'S Bronfman family has parted with a second prized asset in less than a week by selling its controlling stake in John Labatt, the brewer and entertainment group.

Senior Bronfman officials insisted yesterday that the disposal, which will realise close to C$1bn (US$700m) was part of a plan to "simplify and streamline" the vast industrial and financial-services empire.

Mr Bob Harding, president of Hees International Bancorp, the Bronfmans' merchant banking arm, said that the Bronfman group has a "very strong heart" which has been built on equity, rather than short-term debt.

The Bronfman group's explanation was greeted with scepticism in the investment community. The disposal comes on the heels of the C$970m sale earlier last week of the Bronfman's interest in MacMillan Bloedel, the Vancouver-based forestry company.

Companies in the Bronfman empire, which are intertwined through complex cross-shareholdings, have recently been rocked by investor uncertainty over the impact of financial problems at Bramalea, the real estate developer currently in bankruptcy protection, and Royal Trust, the financial-services group which is seeking an infusion of outside capital.

Brascan, a Bronfman-controlled holding company, sold its 38 per cent stake in Labatt to a group of Canadian securities dealers, led by Wood Gundy, at a price of C$28.25 per share.

As in the case of the MacMillan Bloedel deal, the price will be paid in three instalments over the next two years, giving a net present value to buyers of less than C$27 a share.

Mr David Cohen, an analyst at Research Capital in Toronto, said that the Labatt shares "were priced to sell".

Bronfman officials said that the Labatt sale was initiated on short notice by Wood Gundy following the strong response earlier this week to the sale of Macblo shares.

The two deals are among the biggest equity offerings ever made by Canadian companies.

Wood Gundy said the shares were snapped up yesterday, with 20-25 per cent being placed with European investors and the rest in Canada.

Labatt has a 44 per cent share of the Canadian beer market and substantial brewing interests in Europe, including the Rolling Rock brand in the UK.

Its entertainment interests include an all-sports cable-TV channel, and the Toronto Blue Jays baseball team, which won last year's World Series baseball championship.

Labatt's net income rose to C$104m on sales of C$2.3bn in the six months to October 31, from earnings of C$89m and sales of just less than C$2bn a year earlier.

Campbell Soup to take $300m charge

By Karen Zagor in New York

CAMPBELL Soup, the US food group, yesterday said it would take after-tax charges of $300m, or $1.19 a share, to cover restructuring moves including closing two plants which together employ more than 1,300 people.

The charges will be taken against 1993 second-quarter earnings. In the 1992 second quarter, to end-January, the company had after-tax earnings of $160.6m, or 64 cents a share.

Campbell said the actions would allow the company to concentrate on core business and remain cost competitive. Mr David Johnson, president and chief executive, said: "As we focus primarily on soup and biscuits – products which have the highest growth potential – we will phase out those businesses which sap management time and are not strategic."

The company will consolidate its frozen food operations by closing a plant in Maryland and another in Philadelphia.

It will offer employment assistance packages to employees at those plants. It plans to sell several non-strategic businesses.

Campbell recently acquired a 58 per cent controlling stake in Arnotts, the Australian cookie and cracker company, in a bitterly-fought takeover battle.

Mr Johnson said the Arnotts stake would leave Campbell "poised for expansion of our biscuit core competency in Asia".

Hafnia seeks ruling

HAFNIA, Denmark's second-largest insurer, has applied to a Danish court to extend the suspension of payments to creditors for three months past the February 19 deadline, Reuter reports.

Dutch state gives ground on Fokker deal

By David Brown in The Hague

THE PURCHASE of a 51 per cent stake in Fokker, Holland's financially troubled aircraft manufacturer, by Deutsche Aerospace (DASA) moved a step closer last night when the Dutch government accepted sharply revised terms. However, a difference remains over the level of state support for redundancies.

The Dutch government, which holds a 10.6 per cent stake in Fokker, says it remains committed to "an economically viable take-off" of the planned airline consortium. But in a letter to DASA, the aerospace subsidiary of Germany's Daimler-Benz, Mr Koos Andriessen, Dutch economic affairs minister, said The Hague could not accept "the open-ended support" on redundancies demanded by DASA in a final offer earlier this week.

In that letter, DASA asked for broad "support in adjusting the capacity of Fokker to an appropriate and sustainable level", but the vague wording of this clause kept alive hopes that agreement could soon be reached.

Under the terms of the revised deal, which is aimed at raising some Fl 730m ($396m) in new liquidity for the troubled group, Fokker will issue some 13.2m shares at Fl 30 per share for a total of Fl 396m, to a newly formed holding company 51 per cent controlled by DASA. This will bring the total number of outstanding shares to 46.7m.

In a second stage, Fokker will seek an additional Fl 334m on the open market through a subordinated convertible loan subscribed by DASA and underwritten by the Dutch state.

The Hague will exchange its stake in Fokker for a 22 per cent share in the newly formed holding, and will subscribe to the loan offer and will receive Fl 196m in two tranches.

Under the terms of the original deal, signed last October, DASA was to pay DM800m ($506.3m) for its 51 per cent stake in Fokker which it was seeking to acquire as part of its bid to create a new European airliner consortium. However,

Koos Andriessen: Could not accept DASA redundancies plan

DASA demanded renegotiation of terms early this year, arguing that the financial and business position of Fokker had deteriorated sharply in the interval.

The Dutch government's counter offer to DASA comes after a week of intense speculation about Fokker's financial position, following the cancellation of a number of important orders and the deterioration in the global civil airliner market. Regional and commuter aircraft manufacturers such as Fokker have been particularly hard hit.

Schering-Plough plans further stock repurchase

By Karen Zagor

SCHERING-PLOUGH, the US drugs and healthcare products company, has authorised the repurchase of an additional $500m of its common shares.

The buy-back is being made "because current market conditions make the stock a good value". It will be funded through existing cash balances and operating cash flow.

A previously-authorised buy-back of $1bn is 97 per cent complete.

The news prompted Moody's Investors Service, the US ratings agency, to cut its long-term deht ratings of Schering-Plough.

Moody's said the extended repurchase programme "will further reduce liquidity and raise leverage. Schering-Plough has historically maintained large cash balances relative to debt, but share repurchases are substantially eroding the cushion".

Standard & Poor's, another US ratings agency, yesterday affirmed its rating on Schering-Plough.

"Despite a series of large stock buy-backs over the last few years, Schering's strong cash flows have enabled the funding of these purchases without incurring substantial amounts of permanent debt," S&P said.

Coca-Cola Amatil pays more after good result

By Bruce Jacques in Sydney

COCA-Cola Amatil, the Australian soft drink and snack food company, has raised its annual dividend to 17.5 cents a share from 15.5 cents after a solid profit and sales performance in calendar 1992.

Net profit rose 13.8 per cent to A$77.4m (US$52.2m) on a 17.7 per cent sales rise to A$2.1bn. But some gloss was taken off the result by an A$11.6m adverse tax settlement which reduced earnings after abnormal items by 4.4 per cent to A$65.8m.

The result was achieved in spite of a 6.7 per cent decline to A$33.7m from A$36.1m in pre-tax profits from the snack food division, which was sold just after balance sheet date to United Biscuit of the UK.

The snack division increased sales and market shares, but was hit by reduced margins in competitive markets and higher input costs. In contrast, the beverage operations, the largest in Australia, lifted pre-tax earnings 8.6 per cent to A$182.1m.

The overall result followed a tax provision of A$35.4m against A$30.6m previously and depreciation of A$75.4m compared with A$54m. Net interest expense eased to A$78.2m from A$82.3m.

Tapie sale of Adidas holding near completion

By Alice Rawsthorn

ADIDAS, the troubled German sporting goods company, is expected on Monday to announce that Mr Bernard Tapie, its controlling shareholder, has sold his shareholdings to a consortium of investors led by Mr Robert Louis-Dreyfus, chief executive of the Saatchi & Saatchi advertising group.

Mr Tapie, one of the most controversial figures in French business and politics, is under pressure to sell his Adidas stake, to raise capital to reduce borrowings amassed by the acquisitions of Bernard Tapie Finances (BTF), his holding company, in the late 1980s.

He has been in negotiations for weeks with a consortium of investors headed by Mr Louis-Dreyfus, a wealthy French businessman who announced last year that he would be leaving Saatchi this spring to pursue his own interests.

The consortium, which includes a number of French financial institutions, notably Crédit Lyonnais, the bank, and Assurances Générales de France (AGF), the insurer, which are minority investors in Adidas, is believed to have finalised terms with Mr Tapie last week.

Mr Tapie is selling his 78 per cent holding in BTF the German holding company that controls 95 per cent of Adidas. An article in yesterday's Les Echos, the French financial newspaper, suggested that the takeover would include Mr Louis-Dreyfus buying 15 per cent of BTF with Crédit Lyonnais and AGF raising their stakes to 18 per cent from 10 per cent and 5 per cent respectively.

Adidas's supervisory board will discuss the deal at a meeting on Monday afternoon.

Mr Tapie, who has sold most of BTF's businesses, has set a deadline of Monday to complete the sale of the Adidas stake, which is his only substantial remaining asset.

Blacke Duerr float

BLACKE Duerr, a unit of Deutsche Babcock, engineering group, plans to gain a listing on German bourses later this year, Reuter reports from Frankfurt.

Mr Hans-Wolfgang Koch, the management hoard chairman of Blacke Duerr, said yesterday that the company would also ask shareholders at the annual meeting on March 25 to anthorise a capital increase of up to DM18.5m ($11.7m).

Ciments Français slips into red with FFr1.3bn net loss

By Alice Rawsthorn in Paris

CIMENTS Français, the troubled French cement group hit last autumn by a scandal over off-balance sheet dealings, has fallen into the red with a net loss of FFr1.3bn ($238m) for 1992.

The losses, which are mainly due to the exceptional deficit of FFr1bn made by unauthorised transactions, are worse than expected. Less than a week ago Ciments Français estimated the level of last year's losses at FFr1bn.

Ciments Français yesterday disclosed that it had been forced by the Spanish stock market authorities to make a Pta4.11bn ($35.9m) partial bid for Cementos Molins, the Spanish cement company embroiled in this autumn's scandal.

The partial bid follows the discovery that, in the course of the illegal dealings, Ciments Français, a minority shareholder in Cementos Molins with an authorised 25.3 per cent holding, had raised its stake further which took it above the maximum level permitted under Spanish law.

The French group has agreed to the Spanish authorities' request to bid for a further 10 per cent of Cementos Molins at a price of Pta3,700 a share.

Ciments Français has sold the other shareholdings amassed in its off-balance sheet dealings. The partial bid for Cementos Molins was the final stage of Ciments' restructuring after the scandal which triggered the resignation of Mr Pierre Conso as chairman.

However, the FFr1bn exceptional losses on the unauthorised investments took a heavy toll on Ciments Français last year.

The group which, like other building material manufacturers, has been badly affected by the downturn in the European construction industry, saw turnover fall to FFr14.9bn in 1992 from FFr16.45bn in 1991.

The group said that FFr574m of the FFr1.55bn fall in sales was due to the decline in trading, FFr672m to disposals and FFr300m to currency factors.

Pinault in talks over disposal of retail arm

By Alice Rawsthorn

PINAULT, the heavily-indebted French retail group run by Mr François Pinault, is in negotiations to sell Discol, one of its wholesale businesses, to Promodès, the French hypermarket chain.

The disposal of Discol forms part of the divestment programme at Pinault, which has been selling assets in an attempt to reduce the FFr19bn ($3.5bn) net debt it incurred in its controversial bid for the Au Printemps department store chain.

Discol is a substantial wholesaling business with 13 depots across France and annual sales of FFr2.7bn. However, it is a loss-making company with heavy debt of about FFr100m.

The acquisition of Discol would turn Promodès into the largest wholesaler in France ahead of Metro, the German group. Promodès has substantial wholesaling interests through its Prodirest subsidiary which has 21 depots and annual sales of FFr1.5bn.

Pinault hopes to raise FFr100m from the sale, according to an unconfirmed report in yesterday's edition of L'Agefi, the French financial newspaper, and wipe out Discol's FFr100m borrowings.

The group yesterday disclosed a marginal fall in sales to FFr70.69bn last year from FFr70.83bn in 1991.

● Casino, another leading French hypermarket group, yesterday disclosed a 46.3 per cent increase in sales to FFr61.6bn in 1992 fuelled by last summer's acquisition of the Rallye hypermarket chain.

● Au Bon Marché, the department store group, produced sales of FFr25.16bn last year, although this can not be compared to 1991's FFr1.65bn sales because the company has been expanded by adding part of Mr Bernard Arnault's luxury goods interests.

● Credit Lyonnais, the French state-controlled bank, has signed an agreement with Vseobecna Uverova Banka, Slovakia's biggest bank, to set up a joint venture based in Bratislava, Reuter reports from Paris.

Credit Lyonnais will have a 90 per cent stake in the new bank, to be called Credit Lyonnais Bank Slovakia, which will have initial capital of $10m.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992/93	Low 1992/93
Gold per troy oz.	$328.45	+0.45	$354.0	$358.40	$327.35
Silver Per troy oz	260.5p	+6.50	236.05p	265.50p	187.56p
Aluminium 99.7% (cash)	$1212.25	+8.50	$1287.5	$1339.0	$1105.5
Copper Grade A (cash)	£1559.5	+25	£1254.0	£1561.0	£1125.0
Lead(cash)	£292.75	+3.75	£282	£383.5	£277.50
Nickel (cash)	$6087.5	+225.0	$8030	$8195.0	$5315
Zinc SHG (cash)	$1063	-46	$1125.5	$1457.5	$1019.0
Tin (cash)	$5815.0	+2.5	$5640	$7115.0	$5425.0
Cocoa Futures (May)	£737	+29	£698	£751	£523
Coffee Futures (Mar)	$925	-6	£484	$1039	$676
Sugar (LDP Raw)	$220.1	+11.1	$197.1	$272.8	$193
Barley Futures (May)	£139.95	+0.85	£119.70	£139.95	£106.90
Wheat Futures (May)	£143.60	-1.00	£124.10	£144.95	£109.85
Cotton Outlook A Index	60.75c	+0.50	55.50c	65.90c	52.25c
Wool (64s Super)	400p	-5	452p	480p	364p
Oil (Bront Blend)	$18.44x	-0.09	$18.45	$21.30	$17.00

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. x-Apr.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.13-6.20	-.020
Brent Blend (dated)	$16.50-6.53	+.075
Brent Blend (Apr)	$18.43-8.45	-.010
W.T.I. (1 pm est)	$20.11-0.15	-.105

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-196	
Gas Oil	$174-175	+1
Heavy Fuel Oil	$71-72	
Naphtha	$175-178	

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$328.45	-3.30
Silver (per troy oz)♣	370.5c	-7.00
Platinum (per troy oz)	$367.75	-2.75
Palladium (per troy oz)	$118.00	-3.00
Copper (US Producer)	104.5c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.98r	-0.01
Tin (New York)	268.5c	-2.00
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	122.65p	+1.20*
Sheep (live weight)†♣	104.74p	+5.20*
Pigs (live weight)†	81.28p	+0.67*
London daily sugar (raw)	$220.1	+2.6
London daily sugar (white)	$260.0	-1.0
Tate and Lyle export price	£265.0	+2.5
Barley (English feed)	£139.0z	
Maize (US No. 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥	69.00p	-0.50
Rubber (Apr)♥	69.25p	-0.50
Rubber (KL RSS No 1 Fob)	236.5m	-0.5
Coconut oil (Philippines)§	$432.5y	
Palm Oil (Malaysian)§	$425.0w	+2.5
Copra (Philippines)§	$277.5	-2.5
Soyabeans (US)	£185.0u	-0.5
Cotton "A" index	60.75c	-0.2
Wooltops (64s Super)	400p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Mar/Apr. u-Feb/Apr. v-Aug. w-Feb/Mar. z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High	Low
Mar	187.00	188.00	187.60	180.20
May	201.00		201.00	
Aug	206.00		205.00	

White	Close	Previous	High	Low
Mar	261.40	261.30	260.00	256.00
May	259.50	260.00	259.20	257.20
Aug	262.50	262.50	261.50	

Turnover: Raw 46 (110) lots of 50 tonnes. White 2290 (1602) Paris- White (FFr per tonne): Mar 1456.70 May 1492.21

CRUDE OIL – IPE $/barrel

	Latest	Previous	High	Low
Apr	18.43	18.47	18.55	18.38
May	18.46	18.49	18.59	18.43
Jun	18.53	18.56	18.64	18.48
Jul	18.56		18.62	18.56
Aug	18.60	18.64	18.63	18.60
Sep	18.70		18.70	
IPE Index	18.40	18.46	18.40	

Turnover 17954 (35860)

GAS OIL – IPE $/tonne

	Close	Previous	High	Low
Mar	170.75	170.50	171.75	169.75
Apr	170.25	170.50	171.75	180.00
May	170.00	170.25	170.00	169.50
Jun	170.00	169.75	170.75	169.50
Jul	171.75	171.50	171.75	171.25
Aug	173.25	173.75	173.25	173.25
Sep	175.50	175.75	175.25	175.25
Oct	177.50		177.50	177.50

Turnover 7999 (12967) lots of 100 tonnes

SPICES

Mexican pimento was quoted at US$1,850 a tonne, spot, $1,750, afloat, and $1,775 cif, shipment, reports Man Producton. Jamaican pimento was unchanged at $2,350 a tonne, spot, with shipment at $2,140. The Guatemalan spot price was $1,900 a tonne. Limited spot supplies of cassia were available with Kb bri/el at $1,550 a tonne, and shipment supplies offered at $1,350 a tonne, cif. The spot price of Korintje sticks was unchanged at $2,240 a tonne, while shipment was offered at $2,020, cif Madagascar. Cinnamon was fetching FFr6.75, a kilogram, cif.

COCOA – London FOX £/tonne

	Close	Previous	High	Low
Mar	725	719	732	717
May	737	728	742	726
Jul	751	740	755	740
Sep	764	754	767	757
Dec	782	773	760	776
Mar	801	793	805	800
May	814	806	818	812
Jul	828	820	827	
Sep	843	838	845	842
Dec	866	862	865	

Turnover: 9089 (4514) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Feb 12 705.57 (712.11) 10 day average for Feb 11 712.91 (715.00)

COFFEE – London FOX $/tonne

	Close	Previous	High	Low
Mar	925	937	942	920
May	918	938	941	912
Jul	896	916	917	895
Sep	900	920	918	900

Turnover: 3750 (6871) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Feb 11: Comp. daily 58.11 (58.98) 15 day average 55.60 (55.48)

POTATOES – London FOX £/tonne

	Close	Previous	High	Low
Apr	41.2	41.8	41.5	40.3
May	44.0	44.0	43.5	43.0

Turnover 152 (207) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	149.00	148.00	
Aug	151.00	149.50	

Turnover - (100) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High	Low
Feb	1348	1350	1348	1345
Mar	1357	1362	1358	1356
Apr	1350	1350	1350	1334
Jul	1190	1190	1100	
BFI	1321	1317	1321	

Turnover 66 (172)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High	Low
Mar	142.20	142.00	142.50	142.20
May	143.60	143.05	143.80	143.45
Jun	144.60	144.20	144.80	144.50
Nov	112.60	112.35	112.60	112.55
Jan	115.80	115.40	115.70	115.00
Mar	118.00	117.60	118.00	

Barley	Close	Previous	High	Low
Mar	138.70	138.25	139.00	138.70
May	139.95	138.70	140.05	138.75
Sep	108.05	107.75	108.25	108.05
Nov	110.75	110.75	110.75	

Turnover: Wheat 235 (336), Barley 181 (87). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High	Low
Mar	105.8		108.3	
Apr	108.8		108.8	108.5
May	108.8		108.5	
Jul	102.6	102.5	102.9	102.5

Turnover 17 (3) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 32,874 lots
Cash	1212-2.5	1214-5	1057	1212-2.5		
3 months	1233.5-4.0	1235.5-6	1238/1230	1233.5-4.0	1230-30.5	168,287 lots
Copper, Grade A (£ per tonne)						Total daily turnover 22,640 lots
Cash	1559-60	1563-4	1548.5	1548-9		
3 months	1581.5-2.0	1584-4.5	1586/1571.5	1571-1.5	1583-4	154,914 lots
Lead (£ per tonne)						Total daily turnover 2,047 lots
Cash	292.5-3.0	291.5-2.0	291.5	290.5-90.75		
3 months	302-2.5	301-1.5	302/300	300.5-1.0	302-3	17,701 lots
Nickel ($ per tonne)						Total daily turnover 6,144 lots
Cash	6085-90	6015-25	6070	6075-80		
3 months	6152-3	6080-90	6170/6080	6135-9	6145-60	42,711 lots
Tin ($ per tonne)						Total daily turnover 758 lots
Cash	5810-20	5835-45	5825	5825-30		
3 months	5075-80	5895-900	5905/5865	5885-90	5860-5	8,745 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 10,961 lots
Cash	1062.5-3.5	1071-2		1056.5-7.5		
3 months	1081.5-2.5	1090-90.5	1094/1073	1077-7.5	1084.5-5.0	63,248 lots

LME Closing £/$ rate: SPOT: 1.4160 3 months: 1.4081 6 months: 1.4010 9 months: 1.3959

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	328.30-328.50	
Opening	330.60-331.00	
Morning fix	330.00	232.969
Afternoon fix	329.20	231.310
Day's high	330.70-331.00	
Day's low	328.20-328.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.61	6 months	2.59
2 months	2.60	12 months	2.59
3 months	2.60		

Silver fix	p/troy oz	US cts equiv
Spot	262.95	374.20
3 months	266.80	378.00
6 months	270.45	379.96
12 months	277.15	386.70

GOLD COINS

	$ price	£ equivalent
Krugerrand	329.00-332.00	231.00-233.00
Maple leaf	338.05-340.30	-
New Sovereign	78.50-81.50	55.00-57.00

TRADED OPTIONS

Aluminium (99.7%)	Calls Mar	Calls Jun	Puts Mar	Puts Jun
Strike price $ tonne	Mar	Jun	Mar	Jun
1200	27	60	66	17
1225	12	44	16	26
1250	4	32	33	38

Copper (Grade A)	Calls		Puts	
2200	39	74	13	42
2250	14	49	38	67
2300	3	31	77	98

Coffee	Mar	May	Mar	May
850	73	87	-	21
900	29	56	8	40
950	8	35	33	68

Cocoa	Mar	May	Mar	May
700	27	56	2	19
725	9	41	9	29
750	2	30	27	43

Brent Crude	Apr	May	Apr	May
1800	76	93	28	43
1850	43	60	-	-
1900	25	40	74	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Feb	329.6	332.2	331.6	329.1
Mar	329.7	332.4	0	0
Apr	330.0	332.7	331.8	328.6
Jun	331.2	334.0	333.2	330.1
Aug	332.8	335.4	334.5	332.2
Oct	334.1	336.9	333.7	333.7
Dec	335.8	338.4	337.3	334.8
Feb	337.3	340.1	0	0
Apr	339.1	341.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Feb	359.8	359.6	0	0
Apr	366.8	371.4	371.0	367.7
Jul	365.6	368.4	368.0	364.5
Oct	363.1	365.8	365.9	364.5
Jan	361.1	363.9	363.0	363.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Feb	368.8	375.2	0	0
Mar	369.2	375.7	375.0	368.0
May	371.6	378.2	378.0	371.0
Jul	374.0	380.6	380.0	374.0
Sep	376.4	383.1	378.0	377.5
Dec	380.1	386.8	385.0	380.0
Jan	380.9	387.6	0	0
Mar	384.2	390.9	387.0	384.0
May	387.2	393.9	388.0	388.0
Jul	390.2	396.9	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Feb	98.25	99.20	98.25	98.25
Mar	98.00	00.25	99.35	98.35
Apr	98.65	99.80	99.30	98.95
May	99.15	99.90	99.90	99.00
Jun	99.00	100.30	0	0
Jul	99.60	100.40	100.35	99.75
Aug	100.10	100.70	0	0
Sep	100.40	101.00	101.00	100.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Mar	20.11	20.26	20.32	20.11
Apr	20.11	20.24	20.30	20.11
May	20.11	20.24	20.29	20.11
Jun	20.15	20.26	20.28	20.12
Jul	20.16	20.28	20.28	20.14
Aug	20.17	20.29	20.31	20.17
Sep	20.18	20.31	20.27	20.16
Oct	20.21	20.33	20.21	20.21
Nov	20.24	20.33	20.27	20.24
Dec	20.22	20.32	20.26	20.22

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Mar	55.90	56.65	56.85	56.00
Apr	55.65	56.26	56.40	55.80
May	55.35	55.68	55.70	55.50
Jun	55.05	55.33	55.35	55.05
Jul	55.30	55.51	55.50	55.30
Aug	56.00	56.11	50.30	55.06
Sep	57.40	57.24	57.40	57.40
Oct	58.35	58.24	58.36	58.30
Nov	59.00	59.08	59.40	59.00
Dec	60.00	59.89	60.20	60.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Mar	892	872	900	860
May	925	908	932	916
Jul	952	937	958	943
Sep	983	968	985	972
Dec	1012	997	1014	1007
Mar	1041	1026	1055	1035
May	1062	1047	1075	1070
Jul	1082	1067	1090	1066
Sep	1109	1096	0	0
Dec	1147	1134	1135	1135

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Mar	64.30	65.00	60.20	63.50
May	66.60	68.35	69.00	66.35
Jul	68.00	69.70	70.00	68.00
Sep	60.95	71.50	72.40	69.80
Dec	72.35	74.70	74.90	72.30
Mar	75.00	77.00	77.75	76.00
May	76.90	78.75	77.50	77.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	8.48	8.47	8.50	8.42
May	9.01	9.02	9.00	8.94
Jul	9.20	9.13	9.20	9.13
Oct	8.90	8.83	8.91	8.84
Mar	8.78	8.73	8.79	8.73
May	8.78	8.73	0	0
Jul	8.81	8.76	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Mar	61.48	61.58	61.60	61.15
May	62.40	62.46	62.60	62.10
Jul	63.23	63.30	63.40	63.00
Oct	62.78	62.80	63.00	62.60
Dec	61.81	61.85	62.00	61.75
Mar	62.52	62.77	0	0
May	63.15	63.60	0	0
Jul	63.80	64.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	69.00	67.65	69.40	68.50
May	72.45	71.25	73.00	72.00
Jul	75.50	74.70	76.00	75.10
Sep	78.70	77.75	78.80	78.70
Nov	81.50	61.00	83.00	82.60
Jan	85.25	84.80	87.00	85.25
Mar	89.00	87.50	89.45	88.00
May	88.50	87.50	0	0
Jul	89.00	87.85	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 12	Feb 11	mnth ago	yr ago
1762.0	1767.1	1714.7	1581.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 11	Feb 10	mnth ago	yr ago
Spot	124.38	123.73	123.69	119.05
Futures	125.60	125.64	122.91	121.84

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Mar	570/4	567/0	571/0	564/6
May	572/6	569/6	573/2	567/6
Jul	578/0	574/2	578/2	572/4
Aug	579/0	576/0	579/0	574/4
Sep	580/0	578/0	580/0	576/0
Nov	586/0	584/2	586/4	581/6
Jan	593/2	591/4	0	0
Mar	600/2	598/4	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Mar	20.80	20.60	20.81	20.49
May	21.08	20.92	21.07	20.76
Jul	21.28	21.14	21.32	20.97
Aug	21.34	21.20	21.34	21.08
Sep	21.35	21.25	21.35	21.16
Oct	21.40	21.29	21.40	21.20
Dec	21.60	21.44	21.60	21.27
Jan	21.67	21.52	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Mar	177.4	177.4	177.4	176.8
May	178.8	178.4	178.7	177.7
Jul	180.5	180.5	180.6	179.8
Aug	181.3	181.4	181.5	180.8
Sep	182.1	182.3	182.4	182.0
Oct	183.3	183.3	183.3	182.6
Dec	185.3	185.3	185.5	184.5
Jan	185.6	185.8	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Mar	212/2	212/4	212/4	211/6
May	220/2	220/2	220/4	219/4
Jul	227/4	227/6	227/6	227/0
Sep	234/0	234/0	234/0	233/4
Dec	240/2	240/2	240/4	239/6
Mar	246/6	246/6	246/6	246/2
May	251/0	251/4	251/0	250/6
Dec	248/4	248/4	248/4	248/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Mar	364/6	367/4	368/4	363/2
May	341/2	343/2	342/4	340/0
Jul	324/0	323/4	324/4	321/0
Sep	326/0	326/0	326/2	325/0
Dec	336/0	335/0	336/4	333/4
Mar	340/0	339/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Feb	82.700	82.075	82.750	82.000
Apr	79.450	79.475	79.625	79.160
Jun	73.650	73.575	73.775	73.375
Aug	71.725	71.700	71.800	71.550
Oct	72.925	73.000	73.050	72.800
Dec	73.400	73.300	73.450	73.250
Feb	82.700	82.075	82.750	82.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High	Low
Feb	45.225	44.700	45.325	44.600
Apr	45.000	44.900	45.150	44.450
Jun	50.350	50.275	50.500	49.900
Jul	48.925	48.925	49.000	48.650
Aug	46.450	46.325	46.450	46.050
Oct	41.900	41.825	41.900	41.600
Dec	42.900	43.100	42.950	42.900
Feb	43.050	43.050	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Feb	37.700	37.350	37.900	37.275
Mar	37.950	37.450	38.000	37.400
May	39.025	38.600	39.250	38.500
Jul	39.900	39.375	39.800	39.100
Aug	38.100	38.750	38.650	38.100

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Another big fall for sterling

STERLING recovered sharply against both the D-Mark and dollar in European trading yesterday, after falling to a new historic low against the German currency in Asia the night before, *writes James Blitz*.

In Tokyo, the pound fell to an all-time low against the D-Mark of DM2.3245. It also fell to a new low against the dollar this year of $1.4070.

In London, the pound later opened at a new all-time low on the trade weighted index of 75.7. This meant that sterling was worth 75.7 per cent of its 1985 value against a broad basket of currencies.

Once European trading was underway, the currency rebounded, possibly helped by a comment from Mr Norman Lamont, the UK chancellor, that there was no scope for a further reduction in interest rates. There was also strong speculation in markets that the Bank of England was intervening in support of the currency.

The pound peaked at DM2.3610 at lunchtime before closing at DM2.3575, half a pfennig up on the day. Against the dollar, it peaked at $1.4321, before closing at $1.4180, virtually unchanged on the day.

Sterling's strong rebound in Europe suggested that the earlier selling had been speculative, rather than the product of quality selling. At these levels, institutional investors are probably very short of the currency, or wondering whether its effective floor against the D-Mark has finally been reached.

But there were reasons to believe that the currency was not "out of the woods" yet. One worrying factor for sterling holders was that further cuts in UK interest rates were still being discounted at the end of the day by money market dealers.

Yesterday's UK inflation figures, which showed a dramatic fall on the month, may also raise speculation in the next few weeks that the UK authorities could afford to see a weaker pound.

The yen had a much calmer day following the robust rally that has dominated the week. The rally has been caused by speculation that US and Japanese treasury officials would try and reach an accord for a stronger yen this weekend in order to reduce the Japanese trade surplus.

Officials' comments were very ambivalent yesterday. The yen closed slightly weaker against both the D-Mark and dollar at Y72.65 and Y120.80 respectively.

The US currency continued to trade within a range of DM1.6415 and DM1.6615 against the D-Mark. Dealers are also waiting to see what fiscal package President Clinton will announce on Tuesday. The dollar closed in London nearly ½ a pfennig higher on the day at DM1.6625.

£ IN NEW YORK

Feb.12	Latest	Previous Close
£ Spot	1.4175-1.4185	1.4170 1.4180
1 month	0.35-0.34pm	0.36 0.35pm
3 months	1.03-1.02pm	1.05 1.02pm
12 months	2.70-2.60pm	2.76 2.66pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.12	Previous
8.30 am	75.7	76.2
9.00 am	75.7	76.2
10.00 am	75.7	76.2
11.00 am	75.7	76.3
Noon	75.9	76.2
1.00 pm	76.3	76.2
2.00 pm	76.3	76.1
3.00 pm	76.1	76.0
4.00 pm	76.2	76.0

CURRENCY RATES

Feb 12	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.963083	0.829873
U.S Dollar	3.00	1.36806	1.17976
Canadian $	6.40	N/A	1.47906
Austrian Sch	8.25	13.9707	13.6722
Belgian Franc	7.50	46.7979	40.0764
Danish Krone	11.50	0.68855	7.44782
D-Mark	8.00	2.27057	1.94306
Dutch Guilder	7.50	2.55772	2.18668
French Franc	10	N/A	6.57834
Italian Lira	11.50	2113.45	1817.61
Japanese Yen	2.50	N/A	142.456
Norway Krone	-	9.62088	8.26009
Spanish Peseta	-	161.759	138.752
Swedish Krona	11.50	N/A	0.76739
Swiss Franc	3.50	2.10476	1.80067
Greek Drach	19	N/A	260.172
Irish Punt	-	N/A	0.798214

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Feb.11

CURRENCY MOVEMENTS

Feb 12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.2	-33.70
U.S Dollar	67.0	-10.60
Canadian Dollar	96.8	-6.22
Austrian Schilling	115.1	+16.68
Belgian Franc	115.9	+1.73
Danish Krone	118.8	+12.40
D-Mark	125.3	+31.88
Swiss Franc	109.2	+17.36
Dutch Guilder	119.6	+21.13
French Franc	110.0	-6.65
Lira	81.5	-35.70
Yen	160.1	+96.77
Peseta	99.1	-24.44

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.11

OTHER CURRENCIES

Feb 12	£	$
Argentina	1.4145 - 1.4175	0.9985 - 0.9995
Australia	2.0935 - 2.1055	1.4740 - 1.4750
Brazil	25728.8 - 25747.5	18157.2 - 18157.4
Finland	8.2895 - 8.4400	5.8500 - 5.8900
Greece	308.700 - 314.900	218.100 - 222.460
Hong Kong	10.9560 - 10.9720	7.7330 - 7.7340
Iran	2200.00*	1485.00*
Korea(Sth)	1123.80 - 1141.90	794.40 - 800.60
Kuwait	0.43800 - 0.43900	0.30930 - 0.30980
Luxembourg	48.35 - 48.45	34.10 - 34.20
Malaysia	3.7265 - 3.7380	2.6310 - 2.6330
Mexico	4.3910 - 4.3935	3.0975 - 3.0995
N Zealand	2.7590 - 2.7625	1.9465 - 1.9490
Saudi Ar	5.3095 - 5.3225	3.7495 - 3.7505
Singapore	2.3325 - 2.3395	1.6475 - 1.6485
S Af (Cm)	4.4245 - 4.4365	3.1285 - 3.1305
S Af (Fn)	6.2305 - 6.3145	4.3955 - 4.4545
Taiwan	36.70 - 36.85	25.90 - 26.00
U.A.E.	5.1990 - 5.2130	3.6715 - 3.6735

*Floating rate Iran Official rate:£98.50 $66.30

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4180	1.4145	1.4077	1.4012	1.3920
D-mark	2.3575	2.3618	2.3701	2.3816	2.3970
French Fr.	7.9725	7.9761	7.9842	7.9934	7.9414
Swiss Fr.	2.1850	2.1839	2.1816	2.1803	2.1741
Yen	171.25	170.84	170.02	169.12	167.41

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.752	-2.39	2.89	42
Portuguese Escudo	180.624	177.094	-1.95	2.44	33
Irish Punt	0.809996	0.798214	-1.45	1.92	59
Dutch Guilder	2.20045	2.18668	-0.63	1.07	24
Belgian Franc	40.2802	40.0764	-0.51	0.95	18
D-Mark	1.95294	1.94306	-0.51	0.95	24
Danish Krone	7.44934	7.44782	-0.02	0.46	-5
French Franc	6.54988	6.57834	0.43	0.00	-32

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Feb 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4060 - 1.4320	1.4175 - 1.4185	0.36-0.34cpm	2.96	1.05-1.02pm	2.92
Canada	1.7700 - 1.7945	1.7815 - 1.7825	0.09-0.01cpm	0.34	0.14pm-0.02dis	0.13
Netherlands	2.6240 - 2.6575	2.6475 - 2.6575	½-¼cdis	-1.98	1¼-1½dis	-1.89
Belgium	47.95 - 48.70	48.35 - 48.45	11-16cdis	-3.35	31-41dis	-2.98
Denmark	8.9250 - 9.0410	9.0250 - 9.0350	10⅝-12oredis	-14.67	26⅞-32⅛dis	-13.07
Ireland	0.9570 - 0.9710	0.9650 - 0.9660	0.76-0.91pdis	-10.38	1.92-2.16dis	-8.45
Germany	2.3200 - 2.3610	2.3550 - 2.3600	¼-½pfdis	-2.23	1¼-1½dis	-2.23
Portugal	211.80 - 216.00	213.80 - 214.80	109-118cdis	-6.36	354-376dis	-6.83
Spain	166.20 - 168.05	167.65 - 167.95	87-94cdis	-6.47	279-291dis	-6.79
[illegible]						

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.71-1.66pm. 12 Month 2.65-2.55pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

EURO-CURRENCY INTEREST RATES

Feb 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

EXCHANGE CROSS RATES

Feb.12	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
[illegible]												

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

French futures dive

THE PROSPECTS for rate cuts in France dimmed in the eyes of many dealers yesterday as French franc futures fell sharply once again, *writes James Blitz*.

A 50-basis point fall in the June French franc contract yesterday highlighted the extent to which dealers now think that French interest rates will remain high for some time to come.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The June contract closed at 90.69, at which level it prices 3-month money at 9.31 per cent in the summer. That is a remarkably high level, considering that the annual rate of inflation is at about 2 per cent.

Cash rates also reflected the bearish tone, with 3-month money rising to 12¼ per cent from 12 per cent on Thursday, and 6-month money up at 11⅛ per cent from 11 per cent the previous day.

The pressure in interest rate markets had little to do with the position of the French currency, which was more-or-less stable throughout the day.

However, there has been speculation in France all week, most notably from Mr Raymond Barre, the former French prime minister, that another attack on the D-Mark/franc parity will take place around next month's parliamentary elections.

Mr Barre said earlier this week that he did not believe another speculative attack would succeed. But Paris dealers were concerned yesterday that the Bank of France was finding it difficult to build up its foreign exchange reserves, following the huge intervention to support the franc before Christmas.

One dealer suggested yesterday that the Bank had spent some FFr150bn worth of foreign currency supporting the franc last December. However, a reading of its latest weekly report led him to believe that, in the week ending February 4th, the Bank had only managed to recoup FFr10bn in foreign exchange.

Sterling futures fell sharply yesterday morning as the pound dropped to a new historic low against the D-Mark in Asian trading.

The March future was down 12 basis points to a low of 94.03 at one stage. But it later recovered to close at 94.17 after retail price inflation fell to an annualised 1.7 per cent against 2.6 per cent in December.

In the cash market 3-month money closed ⅛ per cent softer at 5¾ per cent.

FT LONDON INTERBANK FIXING

[illegible]	

MONEY RATES

[illegible]	

LONDON MONEY RATES

Feb 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]						

FINANCIAL FUTURES AND OPTIONS

[illegible]	

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
111	1.93	-	-	-	0.19	-
112	1.05	-	-	0.09	0.32	-
113	0.30	2.23	-	0.39	0.49	-
114	0.05	1.55	-	1.12	0.79	-
115	-	0.96	1.48	-	1.16	1.46
Open int	130,553	188,412	7,486	192,726	62,817	4,4040

Estimated volume 31,097 † Total Open Interest 506,014
† All Yield & Open Interest figures are for the previous day.

BANK RETURN

BANKING DEPARTMENT	Wednesday February 10, 1993		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	3,290,527,533	-	1,581,792,280
Bankers Deposits	1,624,256,988	+	89,064,094
Reserve and other Accounts	3,920,480,055	-	172,118,016
	8,849,817,576	-	1,664,846,202
ASSETS			
Government Securities	1,349,426,175	-	491,471,282
Advance and other Accounts	5,008,101,386	-	375,842,635
Premises Equipment & other Secs	2,488,534,717	-	816,975,444
Notes	5,443,719	-	586,560
Coin	251,579	+	9,719
	8,849,817,576	-	1,664,846,202
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	16,164,556,281	-	9,433,440
Notes in Banking Department	5,443,719	-	586,560
	16,170,000,000	-	10,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	5,940,492,607	-	604,441,805
Other Securities	10,218,492,293	+	594,441,805
	16,170,000,000	-	10,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	7
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	7
Bank of Scotland	6	Hampshire Trust Plc	13.5	●United Bk of Kuwait	6
Barclays Bank	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	●Hill Samuel	6	Western Trust	6
●Brown Shipley	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Hongkong & Shanghai	6	Yorkshire Bank	6
Citibank NA	6	Julian Hodge Bank	6		
City Merchants Bank	6	●Leopold Joseph & Sons	6		
Clydesdale Bank	6	Lloyds Bank	6		
The Co-operative Bank	6	Meghraj Bank Ltd	6		
Coutts & Co	6	McDonnell Douglas Bk	6		
Credit Lyonnais	6	Midland Bank	6		

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	CAR	Int Cr
[illegible]				

Money Market Bank Accounts

	Gross	Net	CAR	Int Cr
[illegible]				

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

EDUCATION

LEGAL NOTICE

In the High Court of Justice No. 00750 of 1993
Chancery Division

IN THE MATTER OF
CHEMEX INTERNATIONAL
PUBLIC LIMITED COMPANY
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 27 January 1993 presented to Her Majesty's High Court of Justice for the confirmation of:- (i) the reduction of the Share Premium Account of the above-named Company by £2,301,808.54; and (ii) the reduction of the Share Capital of the said Company from £1,835,000 to £656,439.98.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday 24 February 1993.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account and reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 12th day of February 1993
Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA
Ref: E.
Solicitors for the above-named Company

OBITUARY

MEMORIAL SERVICE
COULSON, HORACE OWEN HARRISON, (SAM)
A memorial service for Sam Coulson will be held at St James Garlickhythe, London EC4, on Thursday 4th March at 12 noon. Friends and colleagues welcome. Inquiries to Norton 07683 51461.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc

No. of bargains included 2923

Treasury 13¾% Stk 2000/03 – £131⁹⁄₁₆ 132¼ 132⁹⁄₁₆

Exchequer 16½% Stk 2005 – £118¾ (10Fe93)

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) – £127¼

Corporation and County Stocks

No. of bargains included nil

London County 2½% Cons Stk 1920(or after) – ...

UK Public Boards

Foreign Stocks, Bonds, etc–(coupons payable in London)

11½% Undated Subord Nts (Br £1000) – £107¼ ¾ (10Fe93)

Nationwide Building Society 11¾% Nts 1997 (Br £5000 & 100000) – £112¾ ¾ (5Fe93)

13.5% Subord Nts 2000 (Br £10000) – £121⁹⁄₁₆ (9Fe93)

13¾% Nts 1994 (Br£5000&100000) – £107¾ (9Fe93)

Nationwide Building Society Zero Cpn Nts 1998 (Br £ Var) – £64¾ ½ (5Fe93)

New Zealand 9½% Nts 1993 – £100⅝ (8Fe93)

Flg Rate Nts 1997(Br£5000&50000) – £100¼ (5Fe93)

Sterling Issues by Overseas Borrowers

Listed Companies(excluding Investment Trusts)

Rule 535(2)

Miscellaneous Warrants

USM Appendix

Investment Trusts

Groavenor Inns PLC Ord 10p – 03

Guardian Group PLC Ord 5p – 7

Hughes (T.J.) PLC Ord 10p – 93 (9Fe93)

Mid-States PLC Ord 10p – 52 ¾ 3 3 3‡ 4

Midland & Scottish Resources PLC Ord 10p – 16¾ 8¾

Needler Group Ld Com Shs of NPV – 50

Perth Group PLC Ord 20p – 7

Savage Group PLC 6.5% (Net) Cum Red Cnv Prf £1 – 75¾ 8 ¾ (10Fe93)

Seafield Resources PLC Ord 10p – 52 (10Fe93)

Sun Oil Britain Ld Oil Royalty Stk Units 1p – £0.4 0.42

Systems Connections Group PLC Ord 2.5p – 8¾ (8Fe93)

Thwaites(Daniel)& Co PLC Ord 25p – £1.7 (9Fe93)

Titaghur PLC Ord 5p – £0.14

T V-am PLC Ord 5p – 22

UAPT-Infolink PLC "A" Ord 25p – £0.2 (9Fe93)

Union Jack Oil Co Ld Ord 25p – £1.02

Yates Bros Wine Lodges PLC Ord 25p – £1¼ (10Fe93)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Applied Magnetics Corp $13.5 (5/2)
Aust. Foundation Inv A$1.92
Boise Cascade $26 (9/2)
Cape Range Oil A$0.38
City Developments S$4.062 (10/2)
Dainippon Screen Mfg, Y1175 862 (8/2)
Idaho Power Co $29.5 (8/2)
Leighton Hldgs A$1.3819 (8/2)
Malayan Cement 95 (5/2)
Malaysian Plantations 18 (5/2)
National Electronics 1
North Flinders Mines 1.95 (5/2)
Oil Search 27
Robinson & Co S$7.4
Samantha Hldgs. A$1.28
Sappi Ltd. R29.75 (8/2)
Singapore Land S$4.034 (10/2)
Storer Communications $Kr289.8
Valiant Consolidated A$0.1145 (9/2)
Westfield Minerals 45 (10/2)

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LONDON STOCK EXCHANGE

Inflation slide sends equities forward

By Steve Thompson

OFFICIAL news that UK inflation fell to its lowest level for 25 years in the year to the end of January produced a sharp turnaround in share prices. Equities rallied from initial big falls to close with good gains as the two-week trading account ended.

The inflation news, described by one seasoned market dealer as "stunningly good", transformed the gilts market where initial falls of around a quarter in long-dated stocks were replaced by gains of up to 1¼ points. Index-linked stocks, on the other hand, saw early gains erased and replaced by falls extending to ¾.

Taking advantage of the sharp gains in conventional gilts, the authorities issued £800m in new stock, where dealings will commence on Monday. The stock comprises £200m of 9 per cent Conversion, maturing in 2000, £300m of 8 per cent Treasury stock maturing in 2003, £50m of 3.5 per cent Funding, due 1999-2004 and £250m of 9 per cent Treasury, redeemable in 2012.

Earlier, there was considerable unease in both the gilts and equity markets after the speech in Frankfurt on Thursday evening by Mr Eddie George, governor-designate of the Bank of England. He warned against further cuts in UK interest rates. Markets have been increasingly focusing on the likelihood of a further reduction in UK interest rates to coincide with Budget day.

Share prices began the day on a steady note but began to lose ground quickly as sterling weakened. Just over a point firmer at the opening, the FT-SE 100 index was over 20 points lower within an hour of the opening, led down by sterling and a flurry of weakness in the Footsie future.

A modest rally ensued and the Footsie was around seven points lower ahead of the inflation numbers. After absorbing the economic data, dealers hoisted share prices and the 100 index accelerated to reach a day's high of 2,854.8, up more than 20 points, just ahead of Wall Street's opening. However, the US market proved a disappointment after the release of economic data, and took some of the shine off the UK market where profit-taking saw the Footsie close a net 8.7 firmer at 2,843.0, although it fell 19.9 over the week. The Mid-250 index lagged behind the 100-index yesterday, settling 0.2 off at 3,006.3.

Equity turnover rose sharply after the inflation news, totalling 830m shares, just below Thursday's 889m, but well ahead of activity during the first three days of the week.

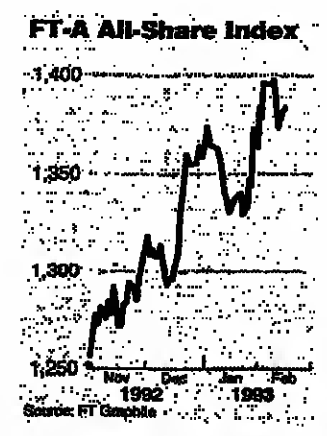
Marketmakers adopted a bullish view of equities but cautioned that the coming week would see another spate of rights issues.

Account Dealing Dates

First Dealings:	Feb 1	Feb 15	Mar 1
Option Declarations:	Feb 11	Feb 25	Mar 11
Last Dealings:	Feb 12	Feb 26	Mar 12
Account Day:	Feb 22	Mar 8	Mar 22

*New time dealings may take place from 8.30am two business days earlier.

FT-A All-Share Index



Source: FT Graphite

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Lloyds loses out to rivals

ANNUAL profits from Lloyds Bank were at the top end of market forecasts, but an early spurt for the shares was staunched as buyers perceived more value in the high street clearer's rivals Barclays and National Westminster.

Lloyds announced a headline profit of £801m, which appeared to be a sharp rise against the previous figure of £625m; there was also a hike in the dividend to 18.4p. The share price shot up by 22 initially, but the market then considered the pre-provisions figure and decided that the performance was less impressive. Also, speculation that Lloyds might make a bid for either TSB or Standard Chartered continued. It was felt that though a bid might not necessarily prompt a rights issue, it would put pressure on the share price.

Lloyds was trimmed back to a net gain of 6 at 534p with 7.6m shares traded, while TSB eased 2 to 170p on profit-taking at the end of the current trading account; Standard Chartered rose 8 to 653p. Meanwhile, new-time buyers, investors trading for the account which officially begins on Monday, were looking at National Westminster, which announces its figures on February 23, and Barclays, which reports on March 4. Both have heavy debts and would be beneficiaries of a further interest rate cut, which was signalled by the latest inflation figure yesterday. NatWest rose 20 to 452p on turnover of 8.6m shares while Barclays lifted by the same amount to 435p on turnover of 6.8m.

Asda recommended

Food retailers rebounded from recent underperformance with Asda leading the charge as NatWest Securities put the stock on its list of 'top ten buys'. The house said Asda's fears of a small decline in sales in the first two months of the year in the face of stiff competition had not been realised. Instead, NatWest estimated that sales have risen some 2 per cent year-on-year, while the group also continued to reduce its debt mountain. NatWest said market profits forecasts for this year of around £130m to £135m might prove conservative and the shares have the potential to reach 80p by the early summer. Yesterday, the ordinaries climbed 2 to 60¾p in turnover of 37m. The nil-paid also closed 2 ahead at 7p in volume of 26m.

A trade press report that Kwik Save is considering a joint venture with Santego, the Spanish discount chain, caused little surprise to many in the market but excited enough interest to edge the shares forward 2 to 804p. Santego and Kwik Save have been linked before, chiefly because Kwik Save's largest shareholder, Dairy Crest, owns the Spanish group. The report said that the two were planning a new joint discount chain in Europe.

Talk that Tesco would achieve a low pay settlement for its employees helped the shares, which gathered 13 to 243p. A figure of 3 per cent had been rumoured, but leaking into the market was that a lower number was more likely.

Hotel group Forte strengthened again with hints that a sizeable overseas purchase was being lined up and any consequent fund-raising exercise would banish doubts over whether the dividend would be maintained. Word in the market was that the group recently came close to paying £400m for Australian-based chain Southern Pacific. Forte shares added 2 to 192p.

As expected, Unigate emerged as the buyer for Clifford Foods, sending shares in both companies racing forward. Unigate paid £50.4m for the family-owned dairy group in a move welcomed by food specialists in the market. Mr Carl Short at Nomura described the purchase as "sensible rather than spectacular", adding that he expects further acquisitions as Unigate attempts to build up its milk and food business. Other analysts also said Unigate was casting around, although few candidates were forthcoming. Upgrades on the back of Clifford were generally in the £1m to 3m range. Unigate shares jumped 15 to 342p, and Clifford 50 to 573p.

Pharmaceuticals stocks were firmer with Glaxo picking up 8 to 704p and Wellcome, helped initially by optimism over an article in a medical journal, improving 9 to 922p.

Lehman Brothers recorded an active two-way pull in SmithKline Beecham. The house has been recommending that clients switch into Wellcome but there were also enough buyers to mop up the loose stock. Although the 'A's eased a penny to 465p, the Units firmed a penny to 410p.

The takeover speculation that has surrounded Fisons faded with the account and the shares slid 1¼ to 241p.

Conglomerate Hanson eased 2½ to 255p ahead of first quarter profits on Tuesday.

Dealers reported a stock overhang in IMI and the shares fell 7 to 261p.

Ferranti had a busy session and turnover rose to 11.7m, double the daily average, as bid talk returned. There was also a suggestion that the company might have won a significant contract from Saudi Arabia. The shares closed unchanged at 13p.

Another stock that has attracted bid talk is Vickers and the shares put on 3 to 134p.

Among transport stocks, British Airways was a nervous market ahead of next Tuesday's third-quarter figures. The shares fell 5 to 283p, in trade of 5m.

Trading in Trafalgar House was again busy following Thursday's rights issue. Volume reached 11m by the close and the shares eased ½ to 78p.

The inflation figures proved to be good news for the stores sector as fresh speculation over interest rate cuts lifted sentiment. Boots surged 11 to 490p, Kingfisher 15 to 527p, Marks and Spencer 6½ to 330p and W.H. Smith 4 to 422p.

Perception that the US side of its business is performing well helped paper manufacturer Arjo Wiggins Appleton to increase a further 4½ to 173p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Peter John.

■ Other market statistics, Page 11.

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (183). [illegible] ... HEALTH & HOUSEHOLD (3) Elan, Mayborn, Paterson Zochonis, Tepnel Diagnostics, Whatman, HOTELS & LEISURE (2) Mandarin Oriental, Prism, INSURANCE BROKERS (1) Lloyd Thompson, INSURANCE COMPOSITE (2) Aegon, Allianz, INSURANCE LIFE (1) Torchmark, INVESTMENT TRUSTS (47) Abtrust New Thai Warrants, Acorn, American, Do. B, Baring Chrysalis, Brazilian, Brit. Assets R. 2005, CST Emerging Asia Warrants, First Spanish, Fleming Euro. Fledgling, Fleming Far Eastn., Fleming Fledgling, [illegible] ... PosGold, Sons Gwalia, Vizcaya, Willoughby's.

NEW LOWS (11).

ELECTRONICS (1) Standard Platform, FOOD MANUFACTURING (3) Dalepak Foods, Sentry Farming, Sheldon Jones, HEALTH & HOUSEHOLD (1) Specialeyes, INVESTMENT TRUSTS (1) JF Fledgeling Warrants, MEDIA (2) Aegis, Allied Radio, OTHER INDUSTRIALS (1) Eleco, PROPERTY (1) Warnford TEXTILES (1) Cupid.

EQUITY FUTURES AND OPTIONS TRADING

BETTER than anticipated figures on UK inflation enlivened the stock index futures sector, writes Joel Kibazo.

Early fears of a high inflation figure led to a poor opening in the March contract on the FT-SE at 2,821, a 14-point discount to the underlying cash market. Such was the initial impact of the poor opening in March that dealers in the cash market quickly moved to mark prices lower, sending the equity index into retreat.

However, by mid-morning, traders felt the earlier falls had been overdone and bargain hunting was seen.

This gained momentum after the release of the inflation figures, climbing to the day's high of 2,866 at around 1.15pm.

The early falls on Wall Street saw March come off and it finished at 2,853, up 19 on the previous close and at an 8-point premium to cash with turnover reaching around 12,521 contracts.

In traded options, total volume was 31,593 with the FT-SE 100 option trading 11,069 lots. BTR was the busiest stock option at 2,315 lots.

RISES AND FALLS YESTERDAY

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	52	15	9	154	168	58
Other Fixed Interest	9	0	6	22	16	37
Commercial, Industrial	286	348	785	1,397	1,748	3,958
Financial & Property	191	132	473	793	745	2,438
Oil & Gas	22	18	44	120	62	226
Plantations	0	0	8	2	4	38
Mines	30	26	88	220	92	387
Others	42	37	33	224	156	179
Totals	632	576	1,441	2,932	3,011	7,317

FINANCIAL TIMES EQUITY INDICES

	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Year ago	High	Low
Ordinary share	2187.5	2188.0	2174.7	2184.9	2209.1	1950.9	2226.1	1670.9
Ord. div. yield	4.33	4.33	4.35	4.31	4.26	4.68	5.34	4.23
Earning yld % full	5.94	5.89	5.93	5.87	5.79	6.96		
P/E ratio net	21.45	21.54	21.51	21.72	22.01	18.63	22.01	15.79
P/E ratio nil	19.89	19.87	19.84	20.04	20.30	17.00		
Gold Mines	94.3	98.0	90.3	81.8	78.6	141.1	160.6	80.0

*For 1992/93. Ordinary share index since compilation: high 2226.1 8/2/93 - low 49.4 26/6/40. Gold Mines index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35. Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2186.2	2168.3	2175.2	2174.2	2182.7	2190.7	2190.1	2189.9	2185.5	2194.6	2167.2

Volume	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Year ago
SEAQ Bargains	28,504	33,737	30,665	34,181	36,866	30,114
Equity Turnover(£m)†	-	1821.4	1271.5	1582.6	1626.2	1167.2
Equity Bargains†	-	38,383	34,811	29,649	41,077	30,155
Shares traded (mil)†	-	744.1	540.2	686.9	536.5	499.5

† Excluding intra-market business and overseas turnover

London report and latest Share Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday February 12 1993

Gold Mines Index	+47.57	Electricals	+3.50
Engineering-Aerospace	+18.41	Water	+3.30
Merchant Banks	+11.64	Textiles	+3.25
FT-SE SmallCap ex Inv Tst	+11.35	Transport	+3.01
FT-SE SmallCap	+11.25	Food Manufacturing	+2.56
Metals & Metal Forming	+11.20	Other Groups	+2.24
Contracting, Construction	+9.81	Insurance Brokers	+1.76
Property	+8.98	FT-A All-Share	+1.50
Banks	+8.76	Hotels & Leisure	+1.42
Investment Trusts	+7.88	FT-SE-A 350	+1.33
Financial Group	+7.79	Electricity	+0.90
Building Materials	+7.43	Insurance (Composite)	+0.91
Conglomerates	+6.61	Media	+0.80
Engineering-General	+6.77	Telephone Networks	+0.47
Business Services	+5.13	"500" Share Index	+0.29
Packaging, Paper & Printing	+5.12	Other Industrials	+0.25
FT-SE Mid 250	+5.01	FT-SE 100	-0.12
Capital Goods	+4.98	Industrial Group	-0.21
Electronics	+4.93	Food Retailing	-2.68
Oil & Gas	+4.78	Consumer Group	-3.73
Chemicals	+4.87	Stores	-5.70
Insurance (Life)	+4.06	Health & Household	-7.38
Motors	+3.80	Brewers & Distillers	-7.50

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	109.3803	+0.274	8.55	8.68	8.80
BELGIUM		8.750	06/02	106.4500	-0.050	7.75	7.65	7.56
CANADA *		7.250	06/03	96.6000	+0.900	7.73	7.86	8.13
DENMARK		8.000	05/03	95.1200	-0.130	8.73	8.73	8.86
FRANCE	BTAN	8.500	03/97	102.0600	-	7.87	7.80	7.90
	OAT	8.500	11/02	104.3600	-0.130	7.83	7.78	7.99
GERMANY		8.000	07/02	106.5400	-0.030	7.03	7.09	7.14
ITALY		12.000	05/02	95.4150	+9.790	13.09†	12.92	13.66
JAPAN	No 116	4.800	06/99	103.9225	-	4.02	4.13	4.44
	No 145	5.500	03/02	108.3832	-	4.22	4.30	4.43
NETHERLANDS		8.250	08/02	106.8700	-0.020	6.92	7.03	7.21
SPAIN		10.300	06/02	93.4750	-0.400	11.45	11.35	12.30
UK GILTS		10.000	11/96	111-06	+7/32	6.56	6.56	7.21
		8.750	08/02	111-28	+29/32	7.82	8.05	8.45
		9.000	10/08	104-30	+1 1/32	8.41	8.53	8.83
US TREASURY *		6.375	08/02	99-15	+5/32	6.43	6.34	6.67
		7.625	11/22	104-12	-	7.26	7.22	7.49
ECU (French Govt)		8.500	03/02	102.3550	-0.080	8.13	8.04	8.30

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2843.0 +8.7	3006.3 −0.2	1384.19 +3.19

	Feb 12	Day's change	Feb 11	Feb 10	Feb 9	year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd	1992/93 High		1992/93 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	2843.0	+0.3	2834.3	2816.4	2831.3	2513.9	6.44	4.31	19.96	3.51	2873.8	3/2/93	2281.0	25/8/92	2873.8	3/2/93	986.9	23/7/84
FT-SE Mid 250	3006.3	—	3006.5	3001.9	3019.8	2460.0	6.68	4.31	18.40	5.82	3051.4	8/2/93	2157.8	16/9/92	3051.4	8/2/93	1379.4	21/1/86
FT-SE-A 350	1401.5	+0.2	1398.2	1390.8	1398.4	1219.4	6.54	4.31	19.60	1.94	1416.5	8/2/93	1103.1	25/8/92	1416.5	8/2/93	664.5	14/1/86
FT-SE SmallCap	1517.27	−0.1	1518.39	1516.38	1522.51	−	5.44	4.22	25.61	2.83	1528.82	8/2/93	1363.79	31/12/92	1528.82	8/2/93	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1518.56	−0.1	1519.55	1518.35	1525.37	−	6.06	4.49	23.52	2.71	1532.36	8/2/93	1363.79	31/12/92	1532.36	8/2/93	1363.79	31/12/92
FT-A ALL-SHARE	1384.19	+0.2	1381.00	1374.08	1381.38	1205.56	6.47	4.30	19.88	1.96	1398.63	8/2/93	1086.13	25/8/92	1398.63	8/2/93	61.92	13/12/74
1 CAPITAL GOODS(211)	919.44	−0.2	921.18	922.11	926.99	775.70	0.15	4.60	21.29	1.38	940.75	4/2/93	664.23	9/9/92	1038.07	16/7/87	50.71	13/12/74
2 Building Materials(27)	955.12	−0.1	955.90	954.58	958.25	852.26	5.34	5.65	26.66	8.77	1121.52	11/5/92	617.65	9/9/92	1381.08	16/7/87	44.27	11/12/74
3 Contracting, Construction(29)	817.89	+0.1	817.28	821.35	824.33	885.59	3.08	5.95	80.00†	0.20	1089.64	11/5/92	485.72	9/9/92	1951.50	16/7/87	71.48	2/12/74
4 Electricals(14)	2651.05	−1.5	2690.15	2691.43	2706.55	2426.18	6.11	5.48	21.46	1.02	2774.68	4/2/93	1874.89	20/10/92	3040.80	8/9/89	84.71	25/6/62
5 Electronics(35)	2470.28	−0.4	2480.79	2490.32	2494.60	1759.81	6.40	3.46	19.77	14.05	2532.64	3/2/93	1655.93	13/1/92	2532.64	3/2/93	1229.01	6/10/85
6 Engineering-Aerospace(7)	345.25	−0.1	345.55	346.96	351.30	313.50	10.25	8.79	12.43	0.00	406.10	20/5/92	243.47	24/11/92	502.42	13/6/90	243.47	24/11/92
7 Engineering-General(52)	548.06	−0.6	551.39	553.08	557.59	482.04	7.38	4.34	17.34	0.98	567.62	20/5/92	409.31	9/9/92	567.62	20/5/92	339.57	23/1/91
8 Metals & Metal Forming(11)	359.12	−0.8	362.05	358.66	358.28	324.70	4.86	3.68	29.93	0.29	379.31	18/5/92	255.51	8/9/92	596.67	9/10/87	49.65	6/1/75
9 Motors(18)	391.41	+0.4	389.90	388.32	396.06	304.27	5.06	5.98	29.08	0.00	406.60	3/2/93	274.42	1/9/92	411.42	13/10/87	19.91	6/1/75
19 Other Industrials(18)	2004.87	+0.1	2002.88	2005.15	2027.19	1566.38	6.21	4.24	19.57	0.39	2049.76	3/2/93	1490.17	9/9/92	2049.76	3/2/93	277.55	15/1/81
21 CONSUMER GROUP(232)	1605.68	+0.5	1606.52	1580.38	1605.58	1650.21	6.90	3.49	18.05	2.80	1773.19	4/1/93	1446.17	25/8/92	1773.19	4/1/93	61.41	13/12/74
22 Brewers and Distillers(28)	1942.49	−0.6	1953.24	1960.76	1977.56	2083.91	8.67	3.90	14.66	10.18	2278.85	11/5/92	1812.14	5/10/92	2278.85	11/5/92	69.47	16/12/74
25 Food Manufacturing(22)	1363.58	+0.2	1361.02	1358.55	1380.35	1253.53	7.72	3.63	16.20	1.46	1378.16	4/2/93	1064.95	10/8/92	1378.16	4/2/93	59.67	11/12/74
26 Food Retailing(18)	3166.76	+2.7	3084.65	3151.22	3134.30	2536.86	8.04	3.31	16.19	0.54	3427.94	28/1/93	2293.80	10/1/92	3427.94	28/1/93	54.25	11/12/74
27 Health & Household(29)	3956.40	+0.6	3934.38	3809.42	3780.89	4426.21	5.62	2.86	20.72	0.54	4654.94	14/1/92	3548.63	25/8/92	4654.94	14/1/92	175.38	28/5/80
28 Hotels and Leisure(20)	1311.84	+0.1	1310.94	1319.02	1329.14	1281.67	6.47	5.25	20.26	6.37	1450.36	13/5/92	898.80	18/9/92	1845.77	8/9/89	54.83	9/1/75
30 Media(33)	1847.89	−0.3	1853.35	1840.48	1866.67	1504.05	5.61	2.92	22.19	1.36	1902.21	3/2/93	1376.55	25/8/92	1902.21	5/2/93	1166.91	16/1/91
31 Packaging and Paper(23)	824.85	+0.3	822.73	817.05	820.59	729.23	6.48	3.94	19.03	0.57	875.53	13/5/92	633.17	18/9/92	875.53	13/5/92	43.46	6/1/75
34 Stores(39)	1100.31	+1.3	1086.51	1097.61	1111.06	1036.33	6.49	3.30	20.44	1.25	1170.17	5/1/93	907.08	25/8/92	1170.17	5/1/93	52.63	6/1/75
35 Textiles(20)	776.20	+0.4	772.90	774.93	776.38	618.33	6.34	4.08	19.96	0.00	785.97	4/2/93	551.94	25/8/92	914.52	2/10/87	62.86	11/12/74
40 OTHER GROUPS(142)	1477.71	−0.2	1480.48	1472.39	1483.54	1208.44	8.25	4.88	14.94	3.16	1495.36	8/2/93	1140.56	3/4/92	1495.36	8/2/93	58.63	6/1/75
41 Business Services(27)	1605.37	+0.5	1597.95	1594.24	1606.84	1376.91	5.59	3.21	22.07	0.14	1631.21	5/2/93	1160.34	1/9/92	1631.21	5/2/93	892.28	1/2/91
42 Chemicals(23)	1499.36	+0.2	1487.04	1487.92	1502.18	1477.35	6.08	4.88	20.79	0.45	1629.99	8/5/92	1243.05	1/9/92	1629.99	8/5/92	71.20	1/12/74
43 Conglomerates(11)	1487.72	−0.7	1498.82	1491.53	1490.84	1257.16	7.11	7.08	15.92	1.63	1521.36	3/2/93	1087.92	2/9/92	1819.46	11/8/89	975.19	10/11/87
44 Transport(16)	2860.88	−0.1	2864.47	2863.02	2889.96	2360.73	7.87	4.15	15.28	3.49	2936.77	8/2/93	2133.26	26/8/92	2936.77	8/2/93	90.80	29/6/62
45 Electricity(18)	1595.62	−0.1	1597.06	1560.73	1574.13	1190.52	13.58	4.76	9.46	10.54	1597.06	11/2/93	1044.63	7/4/92	1597.05	11/2/93	894.96	7/1/91
46 Telephone Networks(4)	1697.31	−0.3	1702.56	1695.04	1716.34	1397.79	7.75	4.03	16.81	1.56	1741.05	5/2/93	1274.20	3/4/92	1741.05	5/2/93	517.92	30/11/84
47 Water(13)	3384.18	−0.4	3399.11	3358.62	3367.92	2423.06	13.36	5.24	8.31	11.83	3399.11	11/2/93	2140.95	8/4/92	3399.11	11/2/93	1820.20	1/5/90
48 Miscellaneous(32)	2447.11	−0.1	2448.91	2454.75	2472.20	1827.59	5.97	4.20	21.13	0.46	2533.67	22/12/92	1770.94	3/1/92	2533.67	22/12/92	60.39	6/7/75
49 INDUSTRIAL GROUP(585)	1437.76	+0.2	1435.51	1430.60	1438.39	1288.90	7.23	4.12	17.29	2.57	1457.36	5/2/93	1168.49	1/9/92	1457.36	8/2/93	59.01	13/12/74
51 Oil & Gas(10)	2360.92	−0.7	2378.13	2333.18	2357.56	2060.26	6.05	5.49	21.74	0.00	2378.13	11/2/93	1758.72	7/9/92	2528.70	3/6/90	87.23	29/5/62
59 "500" SHARE INDEX(663)	1521.83	+0.1	1520.88	1513.16	1522.16	1360.53	7.18	4.26	17.88	2.43	1540.33	8/2/93	1228.86	26/8/92	1540.33	8/2/93	63.48	13/12/74
61 FINANCIAL GROUP(89)	946.77	+1.3	934.98	930.46	932.29	706.43	3.69	4.81	51.09	0.15	971.24	3/2/93	631.13	25/8/92	971.24	3/2/93	55.88	16/12/74
62 Banks(9)	1310.05	+2.3	1286.58	1279.87	1276.42	860.68	6.05	4.53	24.12	0.00	1352.60	3/2/93	790.95	3/4/92	1352.60	3/2/93	62.44	12/12/74
65 Insurance (Life)(6)	1842.49	+0.3	1837.34	1832.39	1863.29	1392.14	2.75	4.93	64.21	0.00	1926.71	3/2/93	1243.61	6/4/92	1926.71	3/2/93	44.88	2/1/75
66 Insurance (Composite)(7)	636.32	−0.1	636.99	626.25	628.86	475.17	‡	4.84	‡	0.00	655.66	22/12/92	418.66	27/7/92	768.11	29/12/89	43.96	13/12/74
67 Insurance Brokers(10)	792.01	−0.6	798.03	800.64	802.75	985.84	7.63	8.74	17.62	0.88	1031.35	27/1/92	527.43	25/8/92	1399.56	17/7/87	66.86	16/12/74
68 Merchant Banks(8)	563.02	+1.3	556.00	556.07	558.58	478.28	7.59	4.08	17.33	0.00	572.30	5/2/93	395.41	28/8/92	672.30	6/2/93	31.21	7/1/75
69 Property(28)	707.44	−0.4	710.05	712.80	718.18	759.97	7.94	5.98	16.31	0.80	799.69	20/1/92	464.71	16/9/92	1398.87	5/9/89	58.01	20/4/65
70 Other Financial(23)	332.80	−0.1	333.09	334.48	334.37	243.58	6.60	5.09	19.90	0.16	336.80	4/2/93	215.81	2/9/92	603.48	16/7/87	33.29	17/12/74
71 Investment Trusts(107)	1444.52	—	1444.00	1438.16	1442.23	1173.87	2.30	2.92	43.48	3.36	1453.51	8/2/93	1024.12	25/8/92	1453.51	8/2/93	71.12	13/12/74
99 FT-A ALL-SHARE(799)	1384.19	+0.2	1381.00	1374.08	1381.38	1205.56	6.47	4.30	19.88	1.96	1398.63	8/2/93	1086.13	25/8/92	1398.63	8/2/93	61.92	16/12/74

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	High/day	Low/day
FT-SE 100	2835.8	2814.2	2823.7	2827.3	2836.8	2849.5	2848.0	2846.5	2843.2	2843.0	2854.8	2814.1
FT-SE Mid 250	3005.1	2996.0	2999.6	3001.2	3006.7	3006.7	3006.9	3007.0	3006.8	3006.3	3008.3	2995.7
FT-SE-A 350	1398.6	1389.4	1393.4	1394.6	1398.9	1404.1	1403.6	1403.0	1401.7	1401.6	1406.3	1389.3

FT-SE Actuaries 350 Industry Baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Prev close	change
Construction	1608.3	1605.9	1605.8	1605.2	1604.7	1610.0	1611.4	1611.4	1612.4	1612.4	1608.4	+8.0
Health & H	1183.6	1176.9	1181.9	1178.9	1180.9	1194.2	1194.0	1194.1	1193.4	1192.0	1186.4	+8.8
Water	1402.1	1398.8	1394.0	1394.3	1395.8	1401.8	1401.8	1400.1	1398.5	1398.8	1405.5	-6.4
Banks	1563.2	1570.4	1577.3	1587.8	1593.6	1605.3	1600.1	1597.8	1587.9	1589.9	1563.2	+35.8

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
FT-SE SmallCap	31/12/92	1363.79	Engineering - General	29/12/86	486.00	Other Financial	31/12/70	128.06
FT-SE SmallCap ex Inv Trust	31/12/92	1363.79	Water	29/12/89	1969.45	Food Manufacturing	29/12/67	114.13
FT-SE Mid 250	31/12/85	1412.60	Conglomerates	29/12/89	1114.07	Food Retailing	29/12/67	114.13
FT-SE-A 350	31/12/85	682.94	Telephone Networks	30/11/84	517.92	Insurance Brokers	29/12/67	96.67
FT-SE 100	31/12/83	1000.00	Electronics	30/12/83	1646.65	All Other	10/4/62	100.00
Business Services	31/12/90	999.65	Other Industrial Materials	31/12/80	287.41	British Government	31/12/75	100.00
Electricity	31/12/90	1226.66	Health/Household Products	30/12/77	261.77	Do. Index-linked	30/4/82	100.00
Media	31/12/90	1215.66	Other Groups	31/12/74	63.75	Debs & Loans	31/12/77	100.00
Engineering - Aerospace	29/12/89	[illegible]	Industrial Group	31/12/70	128.20			

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index and the FT-SE SmallCap Index are compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. Auditor: The WM Company.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

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	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (IoM) Ltd				
Gtt Grand Gth Mt Feb 12	$15 12		...	-
Paragon Plus Red Feb 1	19 85		...	-
Paragon Stlg Red Feb 1	£11 33		...	-
SE Asian Wrt NAV Feb 11	$9 75		...	-
Govett Mgd Fut Feb 12	£13 64	14 92	...	-
Govett Mngd Fut Feb 12	$9 64	10 53	...	-
New Horizons Inv Feb 11	$14 96			-
New Horizons Inv Wts Feb 11	$7.15			-
Gtt Govett Bd Feb 12	$7 26			-
IBI Global Funds Limited				
Intl Stlg Gwth	£21 75	22.91		-
Intl $US Gwth	$18 14	19 10		-
High Income Gilt	£26 09	27 47		-
International Equity	£22.46	23 65		-
International Bond	£24 25	25 14		-
Managed Currency	£28 06	28 35		-
Sterling Currency	£26 79	27 07		-
US$ Currency	$37 87	38 26		-
Irish £ Currency	I£15 81	15 98		-
R & H Fund Managers Ltd				
LF M Sterling Fd	£11 18	11 66		-
R F Offshore Inc Fd Ltd	132.44	12.97		-
IMC Offshore Fd	£10 01	10 04		-
... W/W $/S	£11 49	11 75	...	-

JERSEY (SIB RECOGNISED)

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds Trust Worldwide Port	£2 629	2.761		1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge	19 99	9 99	+0 06	9 41
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Feb 11	513 79	14 00		2.84
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income	54.7	57 0		7.37
UK Equity Fd	226 5	241.0	+0.01	2 66
Intl Bond Fd	100.0	104 0		6.51
Sterling Mngd Assets Fd	556 3	586 0	+0.02	4.60

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3 pm)

CANADA (3 pm)

JAPAN

INDICES

NEW YORK

DOW JONES

	Feb 11	Feb 10	Feb 9	Feb 8	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3422.69	3412.42	3414.58	3437.54	3442.14 (5/2/93)	3136.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.87	105.87	105.74	105.44	105.87 (10/2/93)	98.41 (20/3/92)	105.87 (10/2/93)	54.99 (1/10/81)
Transport	1572.29	1536.17	1539.40	1580.61	1589.61 (8/2/93)	1204.40 (26/6/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	232.29	232.91	232.47	233.29	234.10 (4/2/93)	200.74 (6/4/92)	238.23 (2/1/93)	10.50 (8/4/32)

DJ Indl. Day's High 3435.64 (3438.09) Low 3395.94 (3379.19) (Theoretical♣)
Day's High 3442.66 (3424.58) Low 3411.86 (3394.86) (Actual♣)

STANDARD AND POOR'S

	Feb 11	Feb 10	Feb 9	Feb 8	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.66	446.23	445.33	447.85	449.56 (4/2/93)	394.50 (8/4/92)	449.56 (4/2/93)	4.40 (1/6/32)
Industrials	517.12	515.10	514.23	517.20	518.43 (4/2/93)	470.91 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	43.61	43.50	43.51	43.79	44.32 (4/2/93)	32.40 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	246.72	245.93	246.54	247.07	247.98 (4/2/93)	217.32 (8/4/92)	247.98 (4/2/93)	4.46 (25/4/42)
Amex Mkt. Value	417.80	418.10	415.00	417.10	418.99 (12/2/92)	364.85 (9/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	695.88	695.02	692.21	698.44	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Feb 5	Jan 29	Jan 22	year ago (approx.)
Dow Industrial Div. Yield	3.01	3.13	3.16	2.87
	Feb 10	Feb 3	Jan 27	year ago (approx.)
S & P Industrial div. yield	2.47	2.48	2.51	2.54
S & P Indl. P/E ratio	27.36	27.44	26.96	25.61

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Gen Motors	11,291,200	40½	+ 1¼
Fleet Fin	3,952,600	32¼	- ¼
Chrysler	3,503,200	40⅞	+ ⅝
Gen Motors	3,353,700	21⅞	- 2
IBM	3,085,400	61⅛	- 1⅛
Merck	2,895,800	40⅞	+ ⅞
Ford Motor	2,585,500	50¼	+ 1
Newmont Mining	2,574,500	40⅝	- 1¼
Glaxo	2,484,300	19½	+ ⅛
Bristol Myers	2,375,800	59½	+ ⅞

TRADING ACTIVITY

† Volume Millions	Feb 11	Feb 10	Feb 9
New York SE	252.670	246.490	233.620
Amex	18.514	21.223	21.241
NASDAQ	236.774	250.409	276.978
NYSE			
Issues Traded	2,458	2,449	2,462
Rises	1,077	946	697
Falls	768	886	1,208
Unchanged	614	617	557
New Highs	86	79	84
New Lows	15	15	17

CANADA

TORONTO

	Feb 11	Feb 10	Feb 9	Feb 8	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2947.11	2959.35	2972.25	2927.92	3236.87 (19/1/92)	2520.81 (17/11/92)
Composite	3443.17	3442.99	3414.11	3384.83	3686.06 (16/1/92)	3135.40 (14/10/92)
MONTREAL Portfolio	1790.96	1780.86	1776.66	1767.30	1957.58 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Feb 12	Feb 11	Feb 10	Feb 9	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1603.5	1593.1	1591.1	1583.8	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	639.7	622.7	618.3	618.8	728.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	332.74	329.82	332.37	333.80	458.57 (24/2/92)	291.41 (13/9/92)
Traded Index (2/1/91)	791.01	782.75	791.25	795.80	1099.43 (24/2/92)	682.98 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1212.53	1215.42	1213.95	1213.94	1236.40 (2/6/92)	1046.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	283.83	282.14	279.80	280.83	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	928.2	924.3	926.4	911.0	935.80 (24/2/92)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	500.28	501.30	498.29	496.45	555.93 (13/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1911.87	1905.57	1898.32	1894.05	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	653.35	648.70	649.62	644.90	725.26 (28/5/92)	585.61 (12/10/92)
Commerzbank (1/12/53)	1831.20	1837.80	1840.80	1828.10	2043.80 (28/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1581.43	1551.80	1549.61	1541.58	1811.57 (28/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	5858.15	5857.00	5835.65	5769.52	6447.11 (12/11/92)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1295.81	1310.97	1305.49	1318.88	1469.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Comm. Ital. (1972)	492.13	497.52	495.15	495.66	551.50 (6/2/92)	354.93 (16/9/92)
MIB General (4/1/93)	1087.0	1079.0	1098.0	1104.0	1125.00 (8/2/93)	892.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	16961.51	(c)	17093.60	17022.27	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1308.95	(c)	1295.93	1296.10	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1696.38	(c)	1700.34	1695.86	2459.85 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	635.42	635.84	636.82	638.97	660.35 (6/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	308.4	309.9	306.3	309.1	314.90 (9/6/92)	274.00 (8/1/92)
CBS All Shr (End 1983)	208.1	208.6	207.5	208.0	215.50 (29/5/92)	185.70 (20/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	727.36	724.73	720.74	719.07	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1404.65	1402.51	1379.87	1374.54	1590.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	410.17	410.70	411.34	410.71	416.39 (21/1/92)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	964.0Ψ	1017.0	990.0	891.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4572.0Ψ	4608.0	4645.0	4600.0	4695.00 (4/6/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	683.40	681.60	677.25	675.33	709.77 (6/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	238.38	237.54	234.28	235.68	266.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	981.30	968.50	964.50	948.90	1014.50 (11/5/92)	659.00 (6/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	942.9	940.9	938.3	945.3	945.70 (9/2/93)	748.50 (9/1/92)
SBC General (1/4/87)	721.1	719.4	717.9	722.0	722.00 (9/2/93)	596.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	3775.10	3621.43	3578.10	3637.80	5391.63 (30/1/92)	3098.43 (5/1/93)
THAILAND						
Bangkok SET (30/4/75)	898.38	897.21	990.13	872.66	998.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) §	504.8*	508.5	504.2	503.1	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	920.33	913.98	911.72	911.97	976.35 (25/5/92)	772.52 (5/10/92)

**Saturday February 13: Taiwan Weighted Price: 3,645.41, Korea Comp Ex. 671.42
Ψ Subject to official recalculation.
GMT.

*Calculated at 15.00

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

WORLD STOCK MARKETS

AMERICA

US shares fall on uncertain outlook

Wall Street

IN spite of more good news on inflation, US share prices fell across the board yesterday in thin pre-holiday trading, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 16.48 at 3,406.21, although off its lows for the morning session when the index had been down below 3,400. The more broadly based Standard & Poor's 500 was also weaker at midsession, down 1.74 at 445.93, while the Amex composite was 1.17 lower at 418.88, and the Nasdaq composite 4.24 weaker at 691.64. Trading volume on the NYSE was some 137m shares by 1 pm, and declines outnumbered rises by 1,017 to 687.

As for much of the week, uncertainty about the outlook for equities dogged investors, worried that recent gains in the markets may have been overdone and that shares may be heading for a prolonged period of stagnation.

One analyst noted yesterday that about 40 per cent of the S&P 500 have fallen substantially from their highs since a week ago – an indication that a potentially significant market-wide correction may be underway.

Such was the mood of the market that more good news on inflation, a modest 0.2 per cent rise in January producer prices, and yet further gains in bond prices (which pushed 30-year rates down to a historic low of 7.135 per cent) failed to generate any enthusiasm.

The markets' poor performance, however, may have been affected by the thin nature of trading, with many participants taking the day off ahead of the weekend President's Day holiday.

General Motors was the most actively traded issue, rising $3⅞ to $40⅞ in volume of 1.7m shares as investors continued to respond positively to Thursday's news of a turnround in operating earnings at the car manufacturer in the final quarter of last year. The other two motor stocks, however, were both weaker, with Ford down $⅞ at $50⅞ and Chrysler $⅞ lower at $40⅞.

For the second consecutive day the prices of Student Loan Corp and the Student Loan Market Association (Sallie Mae) fell in heavy trading on reports that the Clinton administration is planning to replace the current guaranteed student loan programme with student loans issued directly by the government. Student Loan fell another $3⅞ to $18⅞ and Sallie Mae plunged $5⅞ to $58⅞.

SAO PAULO saw a 5 per cent decline in the early afternoon, the Bovespa index falling 565 to 10,509 after the Brazilian president, Mr Itamar Franco, proposed to revoke an accounting law regulating company balance sheets; investors read this as heralding higher corporate taxes.

Canada

TORONTO remained firm at midday, bolstered by news that the Bronfman-controlled Brascan was selling off its stake in John Labatt. The news lifted banking stocks and helped the Hees-Edper group.

The TSE-300 index rose 3.56 to 3,446.73 in volume of 30m shares. Among actives, Brascan receipts rose C$1⅞ to C$29 but John Labatt fell C$1⅞ to C$26⅞. Gold shares eased in line with a retreat in gold futures.

EUROPE

Fiat leads the way with 8 per cent gain

THE Continent was firmer ahead of the weekend, *writes Our Markets Staff.*

MILAN turned its back on politics after the excitement of the previous two sessions and it was corporate news and rumour, once again, that took the market forward.

The Comit index rose 4.61 to 492.13, a 2.4 per cent decline on the week, as the market overcame the inhibiting effect of Monday's close of the February trading account and yesterday's expiry of options.

The mood was encouraged by a government move to speed a package of measures to spur the bourse, including fiscal inventives for equity investments.

Fiat was the star performer, adding L105 to fix at L4,696 before rising to L4,955 after hours, a daily rise of 7.9 per cent. The stock found support from the opening after news that the company which had risen to second place in the European car sales rankings in January; but it spurted amid a host of vague market rumours that the company might be about to announce a commercial tie-up.

Insurers were also firm: Fondiaria rose L739 to L28,562 and Toro put on L550 to fix at L24,550 before edging up to L24,650 after hours.

FRANKFURT extended its climb, reaching its highest close in nearly seven months with the DAX index at 1,661.43, up 10.38 on the day and 1.2 per cent on the week. Turnover rose from DM6.5bn to DM7bn.

The underlying argument continued between the underweight position of domestic and foreign institutions in German equities, their willingness to increase their commitment – bringing big liquidity into the market – and the crisis position of the steel, engineering and automotive industries.

However, pointed out Mr Eckhard Frahm of Merck Finck in Düsseldorf, top performers in the DAX this year include Volkswagen, up another DM2.80 to DM297.70 yesterday, Daimler and Continental, the tyre company, which rose DM4.50 to DM229.50. Huge earnings gains have been forecast for VW – three years from now.

Meanwhile, second liners gained on earlier improvements, or the prospect of them. AEG, which said it would return to profit for 1992, put on another DM3.80 to DM176.30 for a 10 per cent rise on the week. Suedzucker, the sugar company, ended DM19 higher at DM625 for a two-day gain of DM34, following a good 1992 beet harvest and this week's Hoare Govett buy recommendation.

PARIS went into the weekend unenthusiastically with a 6.40 point rise in the CAC-40 to 1,911.47, barely changed on the week. Turnover weakened to FFr2.7bn after Thursday's FFr3.5bn.

Peugeot was one of the day's better performers with a rise of FFr14 to FFr615 ahead of announcing 1992 results after the close. The group said that it expected a rise in 1993 turnover after a 3 per cent decline last year.

Havas lost 2 per cent after reporting a 24 per cent fall in profits after Thursday's close, the shares closing down FFr9.60 at FFr428.90.

Carnaud Metal Box gained FFr10.40 to FFr210.00 in good volume amid rumours that it might soon enter the CAC-40.

FT-SE Actuaries Share Indices								THE EUROPEAN SERIES
February 12								
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1124.23	1125.53	1127.41	1130.42	1131.53	1132.07	1130.48	1129.57
FT-SE Eurotrack 200	1174.35	1172.58	1175.65	1179.75	1184.15	1184.93	1182.25	1181.25
	Feb 11	Feb 10	Feb 9	Feb 8	Feb 5			
FT-SE Eurotrack 100	1126.71	1121.50	1124.14	1131.12	1126.52			
FT-SE Eurotrack 200	1175.45	1171.08	1177.40	1190.15	1189.21			

Base value 1000 (26/10/90) High/day: 100 - 1132.70 200 - 1186.66 Low/day: 100 - 1124.23 200 - 1171.76

AMSTERDAM moved higher with Fokker gaining Fl1.00 to Fl10.50 prior to unconfirmed reports, after the close, that the state had agreed to its takeover by Dasa of Germany. The CBS Tendency index rose 0.4 to 98.9, a week's gain of 1.2 per cent. Elsewhere Royal Dutch shed Fl1.70 to Fl155.10 and DSM lost Fl2.50 to Fl75.00.

ZURICH continued the consolidation seen earlier in the week but the firmer dollar underpinned leading industrial issues and helped the market ahead. The SMI index ended 8.3 higher at 2,136.2, little changed on the week.

Nestlé rose SFr15 to SFr1,095 and Roche gained SFr20 to SFr4,170.

STOCKHOLM featured Astra B, which put on SKr17 to SKr693 as investors began to take interest in the pharmaceutical group ahead of its 1992 results due later this the month. The *Affärsvärlden* index rose 12.7 to 981.2, a gain of 5.7 per cent on the week.

Another strong performer was Sandvik, up SKr24 to SKr429 in the B shares, as investors looked to strong export stocks likely to benefit from the krona's devaluation.

VIENNA was helped to a higher close by short covering as the ATX index gained 8.26 to 791.01, down 1.3 per cent on the week. The papermaker, Leykam, led the rise, gaining Sch9 to Sch267.

ISTANBUL closed at its highest level in nearly two years as investors were encouraged by lower interest rates.

The 75-share index finished 116.02, or 2.3 per cent higher at 5,244.84 in turnover of some TL600bn. The market had risen some 11 per cent on the week.

SOUTH AFRICA

GOLD shares, which have enjoyed a spectacular week on overseas buying, fell back 5 per cent as profits were taken ahead of the weekend. The index lost 53 to 964, still 11 per cent ahead on the week. Vaal Reefs lost R10 to R180. The overall index fell 58 to 3,492 and industrials slipped 31 to 4,572.

Government package boosts Tokyo equities

But fundamentals are weak, writes Emiko Terazono

GOVERNMENT measures to boost the Tokyo stock market have triggered a wave of criticism among the country's financial community.

Heavy buying, which pushed the Nikkei index up 3.3 per cent on January 28, was part of the government's attempts to boost the ailing stock market, through the extra public pension and postal funds which were allotted for equity investment. Some investors and brokers complain that this artificial support outweighed weak earnings and economic fundamentals, but only in the short term.

"We are not trying to prop up prices, but the stock market is almost dead and we are only supplying a cure to revive its functions," retorts an official at the Ministry of Finance.

After the Nikkei fell to a new six-year low last August, the government announced support measures, which included additional public investment to be placed in the stock market. The government allocated an additional Y1,120bn ($967m) for stock investments, boosting the amount allowed to be invested in equities this fiscal year to Y2,280bn.

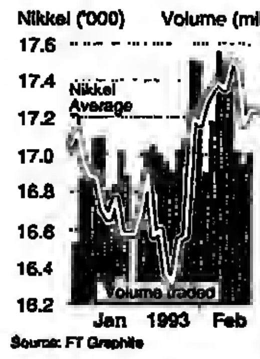
The boost in January came amid mounting market worries of a February crash, with heavy selling expected from companies and financial institutions wanting to prop up profits ahead of the March year-end book closing, and from companies in need of funds to refinance equity-linked bonds.

The ministry tried to soothe concerns by announcing that 70 per cent of the Y9,000bn in redemptions of the equity-linked bonds had been procured through bank borrowings and bond issuances. It also launched what the local media dubbed the PKO – Price Keeping Operations – by analogy with the UN's Peace Keeping Operations, through adding extra demand, and by curbing additional supply by ordering banks and life assurers not to sell shares to shore up profits.

Most market participants believe that the support will be maintained until March book closing, since the 16,000 line is a critical level for banks to sustain their capital ratio requirements set by the Bank for International Settlements. The level is also crucial for many life insurers, which rely on unrealised gains on stocks to cover their heavy losses on foreign bond investments and a decline in returns on domestic investments due to the fall in interest rates.

In order to stop life insurers from selling stocks to prop up

Japan



Source: FT Graphite

financial profits, the ministry is likely to postpone booking their foreign exchange losses on Australian and Canadian bonds, while allowing them to book unrealised profits on stock holdings.

Ms Alicia Ogawa, financial analyst at Salomon Brothers in Tokyo, points out that the government is increasingly worried over the health of the smaller life insurers, whose unrealised gains on stocks have already been run down and who have no more scope to cover further losses.

The government seems to have been the sole buyer of the market. Last month, banks, including trust banks which manage public funds, posted net stock purchases for the eighth consecutive month, buying a net Y366bn in equities. However, life and non-life insurers and investment trusts were net sellers for the third consecutive month, and foreigners and individuals were also net sellers.

Overall activity has also failed to revive, with January trading volumes remaining around a daily average of 200m shares. Moreover, the market support operations have flushed out the growing inefficiency of share prices in reflecting fundamentals, leaving many strategists uncertain over how much of earnings and economic news is being discounted into stock prices. Although the Nikkei is currently trading at 54 times earnings, Baring Securities maintains that on realistic earnings estimates, the p/e ratio would be around 60.

However, some fund managers are more positive over the ministry's efforts. "If company profits are to recover next fiscal year, current share prices are cheap," says Mr Kaoru Shimura, head of pension fund management at Sumitomo Life.

Some economists foresee an additional supplementary budget ahead of the royal wedding and summit this summer, and leading politicians of the ruling Liberal Democratic Party are calling for an income tax cut of some Y5,000bn to Y6,000bn to revive consumer spending. Salomon Brothers in Tokyo forecasts that a recovery in consumption will allow the economy to grow by 3 per cent this year and next.

However, doubts over whether consumption will respond to fiscal stimulus and scepticism over structural problems in corporate and banking sectors cloud the economic outlook, and pessimists maintain that a recovery in corporate profits may not be achieved until the winter of 1994.

Meanwhile, the need for financial authorities to prop up share prices will soon weaken. Mr Jason James, strategist at James Capel in Tokyo, expects volatility on the stock market during April or May, since capital ratios for banks will not be an issue until September and stock valuation losses can be forgotten until March 1994.

ASIA PACIFIC

Nikkei dips below 17,000 as yen improves

Tokyo

A FURTHER rise in the yen against the dollar weakened sentiment, and the Nikkei average slipped below the 17,000 level for the first time since January 27, *writes Emiko Terazono in Tokyo.*

The index closed 238.39 lower at the day's low of 16,851.51, 3.8 per cent lower on the week, depressed by arbitrage selling and profit-taking by investment trusts and foreigners. It had registered a day's high of 17,120.40 in early trading, on buying linked to February option settlements.

The morning impetus pushed up volume to 270m shares after Thursday's holiday, against Wednesday's 199m. Declines led advances by 598 to 313 with 192 unchanged, the Topix index of all first section stocks lost 6.98 to 1,288.95 and, in London, the ISE/Nikkei 50 index rose 0.54 to 1,036.29.

Most investors remained on the sidelines ahead of the meeting in Washington between Mr Yoshiro Hayashi, finance minister, and Mr Lloyd Bentsen, US treasury secretary. The dollar continued its slide against the yen, as dealers expect Mr Bentsen to press for a higher yen to reduce Japan's swelling trade surplus.

Amid the currency uncertainty, dealers focused on short term trading in stocks reflecting domestic demand. Morinaga, the confectionery maker, was the day's most active issue, gaining Y42 to Y581. Reports that the company will develop a new system to detect lung cancer cells encouraged some dealers.

Utilities rose on the strength of the yen, with Tokyo Electric Power gaining Y10 to Y2,580. The sector has also been popular recently on a dividend yield of around 2 per cent, against an average of 0.9 per cent for the Nikkei index. "Investment trusts seem to be buying steels and utilities on the back of higher dividends," said Mr Hiroshi Nasu at James Capel.

High-technology issues were sold on worries over the higher yen. Matsushita Electric Industrial declined Y30 to Y1,070 on reports of a sharp profit decline for the current year to March.

In Osaka, the OSE average fell 101.23 to 18,373.15 in volume of 14.4m shares.

Roundup

PACIFIC Rim markets were mostly firmer.

TAIWAN turned in the strongest performance in the region as the market gave its approval to the nomination of the governor of Taiwan province, Lien Chan, as premier. The weighted index ended 153.76 or 4.3 per cent higher at its intra-day high of 3,775.19, up 4.2 per cent on the week. Turnover nearly doubled to T$36bn, the heaviest since last June.

Strong retail demand emerged, particularly for financial issues in the wake of Lien's nomination, which is seen as improving the prospects for political stability.

HONG KONG edged ahead after some late buying emerged after a day in which trading continued to be inhibited by worries about the political outlook. The Hang Seng index was rose 1.15 to 5,858.15, 1 per cent higher on the week, in turnover of HK$2.03bn.

AUSTRALIA saw foreign demand take the All Ordinaries index up 4.4 to 1,603.5, 3.9 per cent higher on the week, in turnover of A$341.21m.

Blue chips led the upturn, Western Mining and Commonwealth Bank both rising on positive interim results. Western Mining, which plans a major nickel expansion, finished up 16 cents to A$4.56. Commonwealth Bank rose 14 cents to A$8.44.

SINGAPORE went against the higher trend and the Straits Times Industrial index shed 7.95 to 1,613.52, down 0.3 per cent on the week.

MANILA saw demand shift from commercial and industrial issues into oils, and despite some late profit-taking, the composite index closed at a four-month high, 1.0 per cent higher at 1,404.65 for a weekly rise of 4.6 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY FEBRUARY 11 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY FEBRUARY 10 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	126.36	+1.3	132.07	96.05	108.92	124.47	+0.4	3.91	124.78	129.59	95.36	107.36	123.95	153.68	118.16	145.37
Austria (18)	139.23	-0.9	145.52	105.83	120.01	119.80	-0.5	1.87	140.44	145.86	107.53	120.84	120.53	166.70	131.18	181.40
Belgium (42)	139.44	+0.4	145.74	105.96	120.18	117.60	+0.5	5.14	138.95	144.31	106.18	119.55	117.02	152.27	131.19	139.99
Canada (115)	119.89	+0.8	125.10	90.96	103.17	108.77	+0.0	3.04	118.71	123.29	90.72	102.13	108.82	142.12	111.36	136.04
Denmark (33)	202.60	+0.9	211.78	154.00	174.84	178.05	+1.3	1.56	200.89	208.64	153.53	172.85	172.75	273.94	181.70	254.88
Finland (23)	68.63	+4.8	71.73	52.17	59.16	85.27	+3.0	1.67	65.50	68.03	50.06	56.36	82.75	89.80	52.84	88.03
France (98)	150.06	+0.4	156.84	114.06	129.34	151.94	+0.5	3.41	149.46	155.23	114.22	128.59	131.29	168.75	136.93	149.67
Germany (62)	109.46	-0.1	114.41	83.21	94.35	94.35	+0.0	2.42	109.62	113.85	83.78	94.32	94.32	129.89	101.59	117.89
Hong Kong (55)	234.41	+0.4	245.00	178.18	202.07	232.75	+0.4	3.88	233.58	242.60	178.51	200.99	231.92	262.28	178.36	198.10
Ireland (16)	131.25	+0.0	137.18	99.77	113.14	125.73	+0.1	4.23	131.28	136.34	100.33	112.95	125.62	173.71	122.98	166.23
Italy (78)	58.11	-2.1	60.74	44.17	50.09	57.08	-1.9	3.10	59.38	61.68	45.38	51.09	58.34	80.86	47.47	75.75
Japan (472)	108.11	+0.5	112.99	82.17	93.20	82.17	+0.0	1.01	107.53	111.68	82.17	92.53	82.17	140.95	87.27	122.27
Malaysia (69)	268.98	+0.1	281.13	204.44	231.85	272.76	+0.3	2.44	268.63	279.00	205.29	231.13	271.89	282.42	212.49	239.41
Mexico (18)	1545.63	+0.3	1615.46	1174.86	1332.32	5244.63	+0.8	1.14	1540.86	1600.32	1177.57	1325.80	5215.81	1789.77	1185.84	1643.32
Netherland (25)	156.06	+0.4	163.13	118.64	134.54	132.93	+0.6	4.28	155.49	161.49	118.83	133.79	132.18	169.70	147.86	151.54
New Zealand (13)	43.97	+1.2	45.96	33.42	37.90	45.51	+0.7	4.80	43.47	45.15	33.22	37.40	45.19	48.52	37.39	45.31
Norway (22)	143.77	-0.8	150.26	109.28	123.93	137.33	-0.7	1.82	145.00	150.60	110.82	124.77	138.26	192.95	128.05	175.44
Singapore (38)	218.39	-0.5	228.25	166.00	188.25	165.85	-0.4	1.98	219.45	227.92	167.71	188.82	166.46	229.63	178.65	220.08
South Africa (60)	175.42	+2.8	183.34	133.33	151.20	171.94	+0.4	2.93	170.72	177.30	130.48	146.89	171.18	253.60	134.21	237.58
Spain (47)	127.39	+0.8	133.15	96.83	109.81	113.98	+1.1	5.33	126.32	131.20	96.54	108.69	112.73	161.72	107.10	156.25
Sweden (36)	161.48	+0.3	168.77	122.75	139.20	178.51	+0.2	2.30	161.03	167.25	123.07	138.58	178.14	200.28	149.69	177.75
Switzerland (56)	110.94	+0.3	115.96	84.34	95.64	108.61	+0.4	2.02	110.62	114.89	84.55	95.20	106.20	122.37	95.99	100.10
United Kingdom (226)	162.00	-0.1	169.32	123.13	139.63	169.32	+0.5	4.40	162.17	168.42	123.92	139.52	168.42	200.07	161.88	178.08
USA (522)	182.84	+0.3	191.10	138.98	157.81	182.64	+0.3	2.78	182.31	189.35	139.33	156.87	182.31	183.74	160.92	166.80
Europe (780)	134.89	+0.0	140.99	102.54	116.28	129.42	+0.4	3.64	134.67	140.07	103.07	116.05	128.96	156.68	131.31	144.87
Nordic (114)	149.28	+0.7	156.03	113.47	128.68	148.58	+0.7	2.03	148.24	153.96	113.29	127.55	145.82	168.52	141.24	178.61
Pacific Basin (715)	112.98	+0.5	118.08	85.88	97.39	88.19	+0.0	1.35	112.37	116.70	85.87	96.68	88.16	141.97	93.70	125.36
Euro – Pacific (1495)	121.83	+0.3	127.33	92.60	105.01	104.56	+0.2	2.38	121.45	129.14	92.81	104.50	104.37	145.21	113.80	133.48
North America (635)	178.92	+0.3	187.00	136.02	154.25	177.82	+0.3	2.77	178.37	185.25	136.33	153.50	177.33	179.56	158.70	166.72
Europe Ex. UK (554)	117.77	+0.1	123.10	89.54	101.54	107.27	+0.2	3.13	117.66	122.20	89.94	101.26	107.02	132.96	111.33	124.78
Pacific Ex. Japan (243)	160.81	+0.6	168.07	122.25	138.63	150.08	+0.3	3.55	159.87	166.04	122.20	137.57	149.59	175.31	146.06	155.86
World Ex. US (1686)	123.22	+0.4	128.79	93.67	106.22	108.89	+0.2	2.40	122.78	127.61	93.84	105.64	106.49	146.91	115.99	135.88
World Ex. UK (1982)	140.46	+0.4	146.81	106.78	121.09	128.21	+0.2	2.38	139.94	145.34	106.95	120.42	125.97	160.58	127.21	142.75
World Ex. So. Af. (2148)	142.23	+0.3	148.65	108.12	122.81	129.64	+0.2	2.55	141.79	147.26	108.37	122.01	129.35	153.05	130.04	145.24
World Ex. Japan (1736)	161.79	+0.3	169.10	122.99	139.48	158.06	+0.3	3.08	161.37	167.60	123.34	138.87	157.57	185.40	151.93	159.64
The World Index (2208)	142.38	+0.3	148.79	108.21	122.72	180.04	+0.2	2.56	141.89	147.38	108.44	122.09	129.74	153.70	130.66	145.83

Latest prices were unavailable for this edition. Japanese market closed February 11.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 10pc 1993‡‡	100¼	-⅛	101⅞	99⅛	9.93	5.79
12¼pc 1993‡‡	102⅛	—	104⅛	100⅛	12.15	5.52
Funding 6pc 1993‡‡	100¼xd	+⅛	100¼	95⅛	5.99	5.54
Treas 13¼pc 1993‡‡	106⅛	-⅛	107⅞	103⅛	12.95	5.41
8¼pc 1994	102⅛	—	102⅞	96¾	8.26	5.37
14½pc 1994‡‡	108⅛xd	—	110⅛	104⅞	13.30	5.47
Exch 13½pc 1994	109¼	+⅛	110⅞	103⅞	12.37	5.53
Treas 10pc Ln 1994‡‡	105½	—	105⅞	98⅛	9.48	5.55
Exch 12¼pc 1994	109⅛xd	—	110⅛	103⅛	11.36	5.62
Treas 9pc 1994‡‡	105⅞	+⅛	105⅞	96⅝	8.53	5.64
12pc 1995	111⅞	+⅛	111⅞	102⅞	10.79	5.82
Exch 3pc Gas 90-95	96⅛	—	96⅛	88⅛	3.10	4.56
10¼pc 1995	108⅛	+⅛	108⅞	99⅛	9.35	5.95
Treas 12¾pc 1995‡‡	116⅞	+⅛	116⅞	106⅛	10.92	6.05
14pc 1996	120⅛	+⅛	120⅞	109⅞	11.63	6.32
13¼pc 1996‡‡	120⅛	+⅛	120⅞	113⅞	12.17	6.43
Exch 13¼pc 1996‡‡	119¼	+⅛	120⅛	108	11.06	6.43
Conversion 10pc 1996	111⅛	+⅛	111⅞	96⅞	8.99	6.56
Treas 13¼pc 1997‡‡	122⅛	+⅛	122⅞	109⅞	10.84	6.71
Exch 10½pc 1997	113⅛xd	+⅛	113½	100⅞	9.28	6.69
Treas 8¾pc 1997‡‡	107⅞xd	+⅛	108⅞	94	8.12	6.71
Exch 15pc 1997	131⅞	+⅛	132⅛	117⅞	11.41	6.97
9¾pc 1998	111⅛	+⅛	112⅛	97⅞	8.72	6.88
Five to Fifteen Years						
Treas 7¼pc 1998	102⅛	+⅛	102⅞	98⅞	7.14	6.70
Treas 6¾pc 1995-98‡‡	100⅛	+⅛	100⅞	86⅞	6.74	6.68
15½pc '98‡‡	137¼	+⅛	137⅞	123⅛	11.29	7.26
Exch 12pc 1998	122⅞	+1½	122⅞	107⅞	9.80	7.35
Treas 9½pc 1999‡‡	111⅛	+⅛	112⅛	97⅛	8.55	7.18
Exch 12¼pc 1999	122⅞	+⅛	122⅞	109½	9.96	7.46
Treas 10½pc 1999	115⅞	+⅛	116⅞	101⅞	9.07	7.29
Conversion 10¼pc 1999	115⅛	+⅛	116⅛	100⅞	8.91	7.36
9pc 2000‡‡	109⅛xd	+⅛	110	94⅛	8.25	7.31
Treas 13pc 2000	128⅞	+⅛	129⅞	114⅞	10.10	7.77
10pc 2001	113⅛xd	+⅛	113⅞	98⅞	8.83	7.72
14pc '98-1	128⅞	+⅛	129⅞	115⅞	10.90	7.37
9¾pc 2002	111⅞xd	+⅛	111⅞	98⅛	8.72	7.92

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield Int.	Yield Red.
8pc 2003 (£25 pd)	24⅞	—	25⅞	21⅞	8.06	7.85
10pc 2003	113⅛xd	+1⅛	113⅛	100⅛	8.83	8.08
Treas 11½pc 2001-4	120⅛xd	+⅛	120¼	107⅛	9.57	8.03
Funding 3½pc '99-4	71⅞	+⅛	72⅞	58½	4.87	8.51
Conversion 9½pc 2004	109⅛	+1⅛	109⅛	96⅞	8.69	8.20
9½pc 2005	109⅛	+1⅛	109⅛	96⅞	8.70	8.24
Treas 12½pc 2003-5	128⅛	+1⅛	128⅝	116⅛	9.73	8.41
8pc 2002-6‡‡	98⅛	+1⅛	98⅝	85½	8.15	8.22
Treas 11¾pc 2003-7	122½	+1⅝	122½	110⅞	9.59	8.34
Treas 8½pc 2007‡‡	101⅛	+1⅞	101⅛	88⅞	8.41	8.36
8½pc 2007 B	40⅞	+1⅞	40⅞	38⅛	8.44	8.40
13½pc '04-8	135¼	+1⅞	135⅞	123⅞	9.99	8.51
Over Fifteen Years						
9pc 2008‡‡	104⅞	+1⅞	104⅞	93⅞	8.58	8.41
8pc 2009	95⅞	+1⅞	95⅞	85⅛	8.35	8.46
Conv 9pc Ln 2011‡‡	104	+2⅛	104	93⅞	8.65	8.55
Treas. 9pc 2012	103⅞	+2⅛	103⅞	93⅞	8.68	8.57
Treas 5½pc 2008-12‡‡	72⅞xd	+1⅝	72⅞	62⅞	7.65	8.32
7¾pc 2012-15‡‡	92⅞	+1⅞	92⅞	81⅞	8.35	8.46
Exch 12pc '13-'17	130⅞	+2⅛	130⅞	118⅞	9.20	8.77
Treas 8¾pc 2017	100⅞xd	+2⅛	101⅛	91⅞	8.94	8.87
Undated						
Consols 4pc	45⅛	+⅛	45⅛	39⅞	8.82	-
War Loan 3½pc‡‡	39⅞	+⅛	40¼	35⅛	8.78	-
Conv 3½pc '61 Aft	62¼	+⅛	63⅞	59	5.62	-
Treas 3pc '66 Aft	34⅞	+⅛	35	29⅞	8.68	-
Consols 2½pc	29½	+⅛	29⅞	24⅞	8.47	-
Treas. 2½pc	29⅛	-⅛	29	24⅞	8.68	-

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield (1)	Yield (2)
Index-Linked (b)						
Treas. 2pc '94 (102.9)	133¼	-⅛	133¼	122⅛	-	1.26
2pc '96 (67.9)	197¼xd	-⅛	197⅞	178⅛	1.72	2.40
4⅝pc '98 (135.6)	108⅛	-⅛	108⅞	100⅞	2.41	2.95
2½pc '01 (78.3)	164¼	—	164⅞	139⅞	2.88	3.20
2½pc '03 (78.8)	160½	—	160⅞	135	3.04	3.31
4⅜pc '04 (135.6)	109⅞	-⅛	109½	101⅛	3.18	3.42
2pc '06 (69.5)	164⅞	-⅛	165⅛	137⅛	3.26	3.46
2½pc '09 (78.8)	148⅞	-⅛	149⅛	124⅞	3.43	3.62
2½pc '11 (74.6)	153⅞xd	-¼	154⅛	129⅛	3.49	3.65
2½pc '13 (89.2)	126¼xd	-¼	126⅝	108⅛	3.54	3.69
2½pc '16 (81.6)	134⅛	-¼	134⅞	112⅞	3.59	3.74
2½pc '20 (83.0)	128½	-¼	128⅞	107⅞	3.64	3.77
2½pc '24‡‡ (97.7)	108¼	-¼	108⅞	88⅞	3.67	3.78
4⅛pc '30‡‡ (135.1)	106⅞	-¼	107⅞	91⅞	3.68	3.80

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for June 1992: 139.3 and for January 1993: 137.9.

OTHER FIXED INTEREST

Notes	Price £	+ or –	1992/93 high	1992/93 low	Yield Int.	Yield Red.
African Dev 11¼ 2010	118⅛	+1⅛	118⅛	105⅞	9.33	8.90
Asian Dev 10¼pc 2009	112⅞	+1½	112⅞	100⅛	9.11	8.77
B'ham 11½pc 2012	119½	+1¼	119½	102⅛	9.62	9.32
Ireland Cap 8½pc '10	96½	—	103	86⅛	8.81	-
9pc Cap 1996	99½	—	105½	90	9.05	-
13pc '97-2	112	—	119¼	103⅞	11.61	-
Hydro Quebec 15pc 2011	142⅞	+1⅞	142⅞	130⅞	10.52	9.913
Leeds 13½pc 2006	131¼	+1	131¼	116¼	10.25	9.32
Liverpool 3½pc Irred	35	—	36	30	10.00	-
LCC 3pc '20 Aft	31½	+½	32	27	9.52	-
Manchester 11½pc 2007	117½	+1	117½	103¼	9.79	9.30
Met. Wtr. 3pc 'B'	65⅛	+½	65⅛	53	4.56	6.05
Wwide Anglia 3⅝pc 2021	120¼	—	121	103¼	-	4.91
4⅛pc IL 2024	118¼	—	118¼	103¼	-	4.75
Utd Mex States 16½pc 2008	136¼	+1	136¼	121½	12.20	11.68

Continued on next page

NOTICE TO SHAREHOLDERS

The Board of Directors of Tungsram Co. Ltd (H-1340 Budapest, IV. Vaci Street 77) hereby notifies the Shareholders of the Company that the Company shall hold its next Extraordinary General Meeting on 15 March 1993, in Board Room No. 111 of the Company at the above address, starting at 10.00 a.m.

The agenda of the Extraordinary General Meeting shall be:

1) Review of capital need of the company including reduction in the registered capital, followed by a duly authorised capital increase.
2) Modification of the Articles of Association with regard to the reduction in the registered capital.
3) Modifications to the composition of the Board of Directors.
4) Modifications to the composition of the Supervisory Board.

According to Paragraph No. 13 of the Articles of Association only those shareholders are entitled to vote at the Extraordinary General Meeting who have received and presented to the Extraordinary General Meeting the extract from the share book issued by the Board of Directors on their registered shares.

According to Paragraph No. 13 of the Articles of Association shareholders may exercise their right of voting personally or by their authorised representatives.

Authorisations have to be presented by shareholders or their representatives on 15 March 1993 between 9.00 and 9.45 a.m. in room No. 114 at the above address of the company where participants at the Extraordinary General Meeting will thereupon receive the extracts from the share books entitling them to vote.

Board of Directors
By the Chairman

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	[illegible]	[illegible]	21¼	[illegible]	[illegible]	2.1
Allegheny & W	♥	525p	—	525p	228p	272.8	[illegible]
Amdahl		578p	–13	1159p	436p	[illegible]	1.2
Amer Cyanamid		37⅛	[illegible]	[illegible]	[illegible]	3,350	[illegible]
Amer Express		[illegible]	[illegible]	17¼	[illegible]	[illegible]	[illegible]
Amer T & T		36xd	[illegible]	38	[illegible]	[illegible]	2.4
Ameritech		52¼	[illegible]	52¼	32½	22,022	4.9
BankAmerica		[illegible]	[illegible]	37¼	19¼	12,791	2.6
Bankers NY		[illegible]	[illegible]	[illegible]	[illegible]	3,682	4.8
Bell Atlantic		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.6
BellSouth		[illegible]	[illegible]	38	25	[illegible]	5.1
Bethlehem Steel	♥	[illegible]	—	13¼	5¼	1,233	–
Bowater		[illegible]	–2	[illegible]	905p	551.8	5.4
CPC	h	[illegible]	[illegible]	34	22¼	[illegible]	2.5
Cadiz Land Inc	♥	[illegible]	—	342p	108p	–	–
California Engy		1420p	+18	1420p	581p	208.6	–
Chase Manhattan		[illegible]	[illegible]	22¼	[illegible]	3,332	3.6
Chrysler		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.4
Citicorp		[illegible]	—	[illegible]	[illegible]	[illegible]	–
Colgate-Palm		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.0
Cont'l Bank		1671p	–13	1691p	498p	[illegible]	2.5
Dana		[illegible]	[illegible]	[illegible]	[illegible]	1,548	3.3
Data General		814p	–15	1004p	354p	224.6	–
Decora Inds	♥	146p	—	146p	[illegible]	–	–
Dun & Brad		[illegible]	—	[illegible]	[illegible]	7,148	3.0
Eaton		[illegible]	[illegible]	[illegible]	32½	2,910	2.8
Echlin		[illegible]	[illegible]	[illegible]	[illegible]	1,849	2.8
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣□	184	—	209	147	3.2	234.4	17.1
Warrants	□	44	—	40	21	-	-	-
Scot Mortgage	♣†□	188	-2	198½	135	2.8	220.9	14.5
Scot National Inc	♣K□	84	—	107	96¾	10.3	-	-
Cap	□	22	+1	42	12½	—	60.7	65.4
Stepped Pf		165	+½	165½	126	6.3	-	-
Zero Div Pf		209	—	212	168½	-	-	-
Warrants		4	—	8	3	-	-	-
Scot Value	†a	77	—	77½	48	3.1	75.0	-1.6
Sec Alliance	♣	1474	+4	1483	1068	3.3	1628.1	9.5
Second Consld.	□	133	+3	105	88	—	188.8	45.9
Second Market	c	295	+1	285	222	0.7	341.1	13.7
Sec Tst Scot	♣□	83½	—	83½	61	5.3	84.5	2.8
Select Assets		122½	—	125	78½	1.3	171.4	28.5
Eq Ind Ser I		130	-1	133	105	4.4	-	-
Eq Ind Ser II		130	-1	133	105	4.4	-	-
SHIRESCOT	aH	121	—	123	33	5.8	120.0	0.8
Shires	♣	258	+1	282	188	9.5	239.0	-7.4
11pc Cv Ln '03/04		£131½	—	£131½	£95½	3.4	-	-
Slam Select		128	—	129	60	0.3	165.3	22.8
Warrants		33	—	33	10	-	-	-
Smaller Cos	□	98	—	99	66	3.4	94.7	-3.0
Warrants		24	—	25	10	-	-	-
Sphere Inc	M□	17½xd	—	26	9½	23.6	31.2	43.9
Zero Div Pf		83¾	-½	85¼	63¾	-	-	-
Summit		41	—	66	30	4.1	93.4	56.1
TR City of Lon	□	134½	-½	137	97½	4.7	128.9	-4.2
TR Euro Growth	♣□	97	+2	97	70	1.8	110.4	12.1
Ptg Sub		29	—	54	27	0.3	-	-
TR Far East Inc	♣†□	137	+1	137	76	4.4	133.6	-2.2
Warrants		29	-½	30	12	-	-	-
TR High Inc		110	-1	118	91	0.6	112.5	-2.7
Sub	g	87	—	35	21	7.4	-	-
TR Pacific	♣a□	132½	—	132½	70	0.3	128.1	-3.5

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Europa Mints		16	—	52½	7	7.72	-
Glencar Expl IE	‡‡	7	—	10	6	1.28	-
Greenwich Res	□	9¼	+2½	11	2	7.13	-
Hemlo Gold C$		£4⅝	+¼	£5⁵⁄₁₆	£3½	445.8	2.2
Ivernia West IE	‡‡□	42	+4	53	30	31.1	-
Kalla Mints IE	‡‡	9	—	42	6	0.14	-
Kenmore	♣□	7½	-¼	8	2¾	7.20	-
Malinga Res		20½	—	45	6	2.28	-
Navan Res IE	♣	34	+5	34	16	4.56	-
5pc Ln Notes		28	—	30½	25	6.98	-
Oryx Gold		58½	+9	193	48¾	-	-
Plateau		39	—	13	3	1.37	-
RTZ	□	661	+3	688	469	6,629	3.9
Vizcaya	♣□	3¼	+½	3¾	1	2.01	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to some degree of regulation on listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- 0 Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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FINANCIAL TIMES

Weekend February 13/February 14 1993

Second major company faces stoppage by manual workers

Peugeot UK workers to strike

By Robert Taylor, Labour Correspondent

PEUGEOT UK yesterday became the second major company in Britain to face a strike over pay by manual workers.

Convenors and local officials at Coventry will consider this weekend when to launch the full-scale stoppage following the secret ballot by 3,600 production workers earlier this week which produced a rejection of the company's offer.

Workers at the Yarrow shipyard on Clydeside went on indefinite strike over pay last week in one of the biggest wages disputes in Britain for several years.

The Peugeot workers are demanding a "substantial" pay rise on the eve of the launch of a new model at Peugeot. They rejected the company's two-year 7.5 per cent pay rise offer with 3.5 per cent this year and the rest in 1994 by a margin of 3 to 1.

Mr Duncan Simpson, Coventry district secretary of the Amalgamated Engineering and Electrical Union, said last night that no further discussions were planned with the company, although Peugeot is expecting to meet the unions next week.

Mr Simpson added that the Peugeot workers were in a militant mood because the company had decided to cut their rest period from 42 minutes to 30 minutes a shift after June 20 this year.

Peugeot insists that this reduction is necessary to improve productivity in its Coventry plant from 57 man hours per car at present to 43 man hours per car by the end of next year.

"In recent years there have been excellent industrial relations at Peugeot," said Mr Simpson. "It is tragic that a strike is looming at the company." He added that the pay issue had become entangled with the rest period question and heightened tensions.

Mr Graham Dymott, spokesman for the Society of Motor Manufacturers and Traders in the Midlands, said: "It is a great shame to see what is happening when the auto industry is in such a parlous state."

Daf receivers dismiss 1,600 employees, Page 5

£900m Heathrow expansion plan likely to spark battle

By Andrew Taylor, Construction Correspondent

A PLANNING application for a £900m fifth terminal at London's Heathrow Airport will be lodged next week. It is likely to spark a bitter planning struggle lasting several years.

The plans, to be submitted by BAA, the airport's operator, would expand Heathrow's capacity to more than 70m passengers a year from the present 42m.

Sir John Egan, BAA's chief executive, says the terminal is needed to cope with forecast increases in air traffic and is essential for Heathrow to maintain its position as Europe's premier airport.

However, strong opposition to the plans, originally announced last year, is already mounting. The nearby London borough of Hounslow and Spelthorne borough council in Surrey have indicated they will refuse permission on noise and environmental grounds.

The London borough of Hillingdon has also expressed concern, but says it wants to see details of the application before reaching a decision.

BAA's legal advisers, led by Lord Silsoe QC and solicitors McKenna, expect Mr Michael Howard, environment secretary, to send the proposals, along with a plan for a new motorway spur to the terminal, to a public inquiry.

Sir John Egan: essential for Heathrow to have fifth terminal

It is unlikely that this could be organised to begin before autumn next year because of the complexity of the issues and the variety of opponents lining up against the BAA.

Hearing the evidence could take another year and BAA does not expect ministers to announce a decision until late 1996 at the earliest – by when the deadline for the next general election would be a few months away.

Construction of the first phase, which would provide capacity to handle an extra 10m passengers a year, would not be expected to be finished until 2002. The terminal would be handling the extra 30m passengers when finally completed by 2016.

Opponents of the plans fear that the terminal will be used as a springboard to persuade the government to permit development of a fourth runway at Heathrow. The Civil Aviation Authority has said that additional runway capacity will be needed in south-east England early next century.

BAA says the increasing size of aircraft means the squeeze at Heathrow is on terminal rather than runway capacity and that existing runways can cope with expected rises in air passenger traffic.

The new terminal to the west of the airport would stand on 600 acres, of which about half is already owned by BAA. The remainder of the site is mostly occupied by the Perry Oaks sewage works.

The proposals call for a core building with two or three satellite buildings from which passengers will board and disembark from aircraft.

In addition, there are plans for a hotel, aircraft stands, maintenance hangars and taxiways as well as car parking facilities.

Welsh gas terminal plan may reprieve shipyard

By Ian Hamilton Fazey, Northern Correspondent

PLANS FOR a £250m gas terminal on the North Wales bank of the Dee estuary received government approval yesterday, in a move which may secure the future of the Cammell Laird shipyard at Birkenhead.

But the consortium of oil companies planning to build the terminal stressed it would go ahead only if PowerGen, the electricity generator, was allowed to build a £580m gas-fired power station nearby at Connah's Quay, which would use gas piped from the terminal. The approval process for the power station has been frozen pending the government's pit closure review; blocking further gas-fired power stations is one option to boost markets for coal.

The North Wales project would create more than 3,000 jobs during the construction phase and 200 permanent jobs. Investment for a new gas field in Liverpool Bay, the terminal and the power station would total £1.5bn in the depressed sub-region of Merseyside, west Cheshire and north-east Wales.

Amec, the civil engineering and offshore construction group, said yesterday it would reconsider whether to bid for the Cammell Laird yard, which is due to close when it runs out of work this year. Sir Alan Cockshaw, Amec's chairman, said recently the group would be interested in Cammell Laird if development of the gas field allowed it to shift to offshore and related work.

The consortium involved in the exploration and development of Liverpool Bay and which wants to build the gas terminal includes Hamilton Oil, Lasmo and Monument. Yesterday Mr Ed Blair, president of Hamilton Oil called for rapid Department of Trade and Industry approval for the PowerGen project.

The terminal was approved by the Welsh Office after a public inquiry. It was opposed by miners at the Point of Ayr pit, one of the 21 pits affected by the closure review, and by environmental groups.

The DTI said yesterday there was "no connection" between decisions on the terminal, which was a planning matter, and the power station, which needs approval under the 1989 Energy Act. The companies involved were sceptical about government departments taking decisions in isolation from each other.

Mr Michael Heseltine, trade and industry secretary, who has been a longstanding champion of Cammell Laird, as both environment secretary and defence secretary, now has to make the decision on the Connah's Quay power station, which in turn will have an impact on pit closure policies.

Elf Aquitaine ordered to shelve relocation

Continued from Page 1

problem to the government". He rejoiced "in this decision which proves the will of the government to see national companies fully assume their responsibilities". Mr Quilès added: "A national company cannot hold its shareholder, in this case the state, at arm's length."

The government has fought recently to limit job losses among France's top industrial companies both in the public and private sectors, but has not before forced a group chairman to shelve a restructuring plan. French industry has cut costs far faster in this economic slowdown than in the last recession, a factor in the rise in unemployment to nearly 3m, 10.6 per cent of the workforce. However, this has aided French companies' international competitiveness.

The direction to Elf could become a test of the future government's industry policy. While the right is economically liberal, it is just as anxious as the Socialists to limit job losses. Mr Le Floch-Prigent, a friend of President François Mitterrand, is also thought to be among the several state industry chairmen that a new right-wing government would consider for replacement in a general reshuffle of top jobs.

Forces chiefs oppose honours plan

Continued from Page 1

a worthy pillar of the local community might aspire to a BEM. But the doctor next door, deemed to have delivered similar charitable or voluntary service, would expect an MBE.

Mr Major, apparently oblivious to the argument that the very existence of the honours system entrenches Britain's class system, has also made headway in his attempts to balance merit with rank in awards for civil servants.

Politicians will still be eligible for retirement in the House of Lords. But Whitehall's mandarins are resigned to the fact that a trip to Buckingham Palace to pick up a Companion of the Bath or a Knights Batchelor (the basic knighthood) will no longer be automatic for deputy and permanent secretaries.

Nor will diplomats necessarily be offered compensation for a posting to nowhere by being appointed a Companion of St Michael & St George.

Armed forces chiefs are arguing that classlessness may be all very well in civilian life but rigid observance of social status is a vital component of a well-oiled military machine.

Services opponents of the plan to abolish the BEM say the criteria for awards are different. Officers are rewarded with an MBE for specific achievements rather than the "meritorious service" which qualifies, say, a long-serving army cook, for the BEM.

But Whitehall insiders say the military's main concern is Mr Major's decision to reform the award of knighthoods to the 50 or so senior officers on the active list.

Knighthood does not come before the rank of lieutenant-general, vice-admiral or air marshal (in US terms, three-star appointments), but then it is automatic.

The wrangling is delaying a Downing Street announcement of the reforms, but Mr Major is determined to have his way. The officials charged with preparing recommendations for the Queen's birthday honours in June have been told to draw up as usual a list of nominations for the BEM – but on the basis that the recipients will then be "bumped up" to MBE.

THE LEX COLUMN

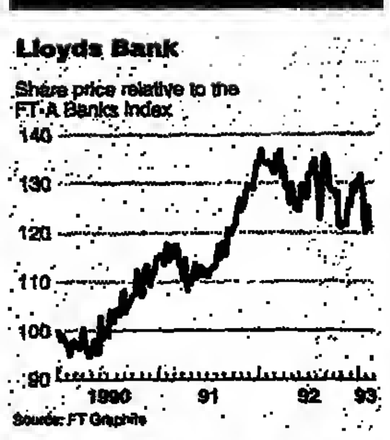
Lloyds out in front

Lloyds Bank has set a cracking pace for other banks to follow. A 28 per cent recovery in pre-tax profit, a 10 per cent increase in the dividend, and a 17 per cent net return on shareholders' funds are evidence of the extraordinary inner strength with which the bank has come through the recession. Dividend growth can easily continue to outstrip the market average. If nothing else, the residual surplus of £820m on problem country debt should help take care of that. Strip away the veneer, though, and familiar strategic questions re-emerge. That may prevent the shares from outperforming.

Annual profits were bolstered by a £64m increase in foreign exchange trading profits. That bodes well for banks such as Barclays and HSBC with heavy specialisation in this market, but, though Lloyds denies it sold sterling short on September 16, the bonus will not necessarily recur. By happy coincidence almost all the £50m of permanent diminution of UK property values could be charged to reserves. Had the remaining £153m diminution not been temporary, it would have had to be charged against profits. Above all, though, Lloyds' flow of operating income looks structurally weak despite an improvement in the second half.

One problem is that Lloyds' large cash surplus means lower UK base rates hit its domestic income more than that of other banks. Another is that second-half net interest income grew more strongly on international business where Lloyds has retrenched in recent years. Yet another is the limit on further cost reduction and growth in fee income. The easy answer is to go for volume, but Lloyds will not sacrifice margin for the sake of market share. That makes an acquisition more likely. Sensible opportunities are few and far between. After its embarrassing withdrawal from last year's Midland bid, Lloyds may have to wait until a willing partner hoves in view. It will be accused of dithering just the same.

FT-SE Index: 2843.0 (+8.7)



UK economy

The Chancellor and the future Governor of the Bank of England have made plain they see little room for further interest rate cuts. The markets are disinclined to believe either. Yesterday's unusually explicit statement from Mr Lamont was brushed aside by an equity market rising in anticipation of lower rates. A rise in the short sterling future was an unambiguous sign of the market betting on easier money to come. With inflation falling to the lowest level since 1967 – and the government's lengthening record of U-turns in mind – that looks a rational response.

The inflation figures suggest exceptionally weak demand across the economy. Import and producer prices are rising but retailers would rather swallow lower margins than pass the cost on to consumers. Next week's slew of economic statistics will show why, as unemployment pushes through three million. Given Mr Major's problems with the coal industry and the Maastricht treaty, keeping rebellious Tory MPs sweet on the economy will be top priority. The odds must be on another cut in rates around the time of the budget.

But sterling gained almost two pfennigs from its low against the D-Mark yesterday. Unless the foreign exchange market was alone in taking notice of Mr Lamont, that can only be because the market senses recovery without inflation. That would support sterling in the same way as the dollar is now strong. If the sentiment can be sustained, the government will have room to cut rates again.

UK electricity

The run-up in electricity shares this week suggests the market appreciates the likely outcome to the British Coal conundrum. Assuming the government can bribe the generators into taking subsidised coal, perhaps 12 pits will be saved. If Tory back-benchers can then be persuaded to accept such a plan, National Power and PowerGen will be free to sign five-year contracts with the regional electricity companies. There will be some cost to the generators as coal stocks are run down more slowly than planned. But that is a small price for a deal which guarantees earnings and dividend growth up to 1998. The danger is that a change in the regulatory status quo could upset the apple cart.

By opting not to delay the planned liberalisation of the electricity market, the government appears eager to avoid conflict with Mr Stephen Littlechild, the electricity regulator. With a 40 per cent stake in the generators and hopes of privatising British Coal, it has good reason to be cautious. Equally, Mr Littlechild has already indicated that he will not stop the Recs from signing five-year contracts with the generators, but he could yet decide prices offered by the generators are unfair.

The generators' shares have risen more than 12 per cent this year and yield no more than the market average. Having recently been mauled by the Commons Select Committee for being too soft, Mr Littlechild may be in the mood to get tough. If so, that share price rating will be hard to justify.

Unigate

At last Unigate has done the decent thing and put Clifford Foods out of its stock market misery. In sealing a £50.4m agreed bid for the milk and juice company, Unigate has bolstered two important businesses. It has also positioned itself to compete more effectively in the shake-up that will follow the demise of the Milk Marketing Board.

Clifford will add 3 percentage points to Unigate's share of the liquid milk market, taking its total to 16 per cent. This will give Unigate further scope to rationalise and help it resist, at least for a while, the encroachments of the giant supermarket chains. Unigate can easily afford the cash. The deal is likely to enhance next year's earnings.

Still, yesterday's 5 per cent share price increase looks overdone. Although handy, the acquisition does little to settle the bigger strategic qualms about Unigate. Mr Ross Buckland, who became chief executive in 1990, has not yet charted a convincing new course at Unigate. Unigate may now be buying a string of milk businesses. Only four years ago it sold half its milk operations to Dairy Crest. Milk was seen as an unattractive business, prone to margin erosion. Not much has changed since then.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Bil & Berger	919	+	9
Goldschmidt	740	+	10
Rheinmetal Ber	256	+	6
Schmalbach Lub	356	+	8
Zanders Feinpap	174	+	8
Falls			
Asko	610	–	11
New York ($)			
Rises			
Gen Motors	40⅞	+	⅜
Falls			
Chrysler	40⅜	–	½
Ford	50⅞	–	⅝
Sallie Mae	58¾	–	5⅛
Student Loan	18¾	–	3⅞
New York prices at 12.30pm			
Paris (FFrs)			
Rises			
Carnaudmetalbox	210	+	10.4
Credit Local Fr	380	+	11
Imetal	407	+	13
UFB Locabail	253	+	12.8
Falls			
GTM-Entrepose	377	–	11.5
Promodes	600	–	20
Tokyo (Yen)			
Rises			
Isetan	2380	+	280
Nichimo	330	+	38
Shinko Sangyo	291	+	30
Yuraku Real Est	380	+	40
Japan Transcity	534	–	41
Nichibei Fuji C	203	–	17
London (Pence)			
Rises			
Barclays	435	+	20
Bluebird Toys	158	+	9
Boots	490	+	11
Clifford Foods	573	+	50
Colorgen	34½	+	5
Essex Furniture	108	+	7
Ferraris	58	+	6
Forward Group	115	+	16
Greenwich Res	9¼	+	2½
Learmonth & Brcht	194	+	19
Merivale Moore	25	+	3
Stakis	45	+	4
Tesco	243	+	13
Unigate	342	+	16
Unitech	218	+	17
Falls			
Alvis	24	–	3
Bass	578	–	12
Clinton Cards	125	–	5
Cupid	35	–	3
Hawthorn Leslie	2¾	–	¾
Unread	100	–	8
Lloyds Abbey Life	441	–	12
OMI Intl	30½	–	3½

World Weather

UK Today: Mainly dry over England and Wales, but with lingering fog or mist patches in many regions including the south-east. Becoming brighter by the afternoon. Sunny intervals in southern and eastern Scotland.

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Cairo	C	17	63	Inverness	F	8	46	Milan	S	5	41	Salzburg	C	-1	30
Ajaccio	S	14	57	Cape Town	S	25	77	Isle of Man	C	6	43	Montreal †	S	-17	1	S'Francisco †	S	9	48
Algiers	F	15	59	Cardiff	C	6	43	Istanbul	F	2	36	Moscow	C	-5	23	Seoul	S	7	45
Amsterdam	C	3	37	Chicago †	Sn	-3	27	Jersey	Fg	6	43	Munich	C	1	34	Singapore		–	–
Athens	C	8	43	Cologne	S	4	39	Johannesburg	F	24	75	Nairobi		–	–	Stockholm	S	3	37
Bahrain	F	19	66	Copenhagen	C	1	34	Las Palmas	S	19	66	Naples	S	14	57	Strasbourg	C	1	34
Barcelona	C	13	55	Corfu	S	13	55	Leeds	C	3	37	Nassau		–	–	Sydney	F	23	73
Beijing	S	10	50	Dallas †	C	3	37	Lisbon	C	11	52	Newcastle	C	4	39	Tangier	F	15	59
Belfast	F	8	46	Dublin	F	9	48	Locarno	S	9	48	New Delhi	S	25	77	Tel Aviv	F	14	57
Belgrade	S	5	41	Dubrovnik	S	14	57	London	C	5	41	New York †	Sn	-1	30	Tenerife	F	19	66
Berlin	S	4	39	Edinburgh	C	6	43	Los Angeles †	S	11	52	Nice	S	15	59	Tokyo	C	9	48
Biarritz	S	17	63	Faro	R	13	55	Luxembourg	C	0	32	Nicosia	F	13	55	Toronto †	Sn	-9	16
Birmingham	C	3	37	Florence	S	13	55	Madeira	S	18	64	Oporto	F	15	59	Tunis	C	14	57
Blackpool	C	4	39	Frankfurt	C	0	32	Madrid	F	9	48	Oslo	C	-1	30	Valencia	F	14	57
Bombay	S	33	91	Geneva	C	1	34	Majorca	F	15	59	Paris	C	3	37	Vancouver †	S	2	36
Bordeaux	S	13	55	Gibraltar	F	15	59	Malaga	F	15	59	Perth	S	31	88	Venice	S	10	50
Boulogne	C	4	39	Glasgow	C	6	43	Malta	F	14	57	Prague	Fg	-2	28	Vienna	S	0	32
Bristol	C	6	43	Guernsey	Fg	6	43	Manchester	C	2	36	Reykjavik	F	1	34	Warsaw	S	3	37
Brussels	S	5	41	Helsinki	C	1	34	Melbourne	C	19	66	Rhodes	S	12	54	Washington †	Sn	1	34
Budapest	C	-1	30	Hong Kong	S	21	70	Mexico City		–	–	Rio de Janeiro		–	–	Wellington	C	14	57
Buenos Aires		–	–	Innsbruck	S	9	48	Miami †	S	23	73	Rome	S	14	57	Zurich	C	1	34

Temperatures at midday yesterday † Noon GMT temperatures C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

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Weekend FT

SECTION II

Weekend February 13/February 14 1993

Fantasy land faces a change of direction

Is it art or is it Hollywood? Nigel Andrews on the struggle between movie moguls and movie-makers

THERE HAVE always been two Hollywoods. One is the place on your crinkled road map of Los Angeles. Drive there and you find a few bell-ringing names like Hollywood Boulevard and Vine Street jostling with acres of seedy anonymity. Hardly a studio in sight: most of these are miles away in Burbank or Culver City.

Then there is Hollywood the concept. This is a whole different mirage and for most people it goes like this. In a palm-strewn kingdom on the Pacific, men and women strive to create the dream of a demotic culture. Brash but lovable moguls hand down commands; directors crack whips; and those divinities we call stars act out our fantasies under a cloudless sky.

Any time up to the late 1950s the American film industry could have recognised this image, however exaggerated, staring back from its mirror. But today the business is prey to foreign takeovers, kamikaze production costs and frantic head-scratchings over cinema's technological future. The Dream Factory, goes the buzz, is waking up to new realities.

On a recent visit, I quizzed eight top movie people on the state of their art. Behind the particular questions lay two broad ones. Is Hollywood still "Hollywood" – the town that 50 years ago, circa *Gone With The Wind* and *Casablanca*, set standards for high-power popular art unequalled in human history? And is the American film industry, which once nurtured such keepers of the new-world flame as D.W. Griffith and John Ford, still American in spirit and letter?

The six main studios still keep their historic names. But two are now Japanese-owned (Columbia/Sony, Universal/Matsushita); one was owned by an Italian before falling into the hands of French creditors (MGM); and a fourth, 20th Century Fox, is owned by an Australian newspaper tycoon who is now a US citizen.

Although the first wave of invasion fright is over, some distinguished people still shudder at the spectacle of – as they see it – the US's most precious institution being asset-stripped for non-Americans.

I found the veteran Universal producer Ross Hunter, who poured money into the studio's coffers for 20 years with hits such as *Pillow Talk*, *Imitation Of Life* and *Airport*, still raging at the way the studio had been sold to foreign interests.

Hunter belongs to the school that asks: could they now make a film about Hirohito? "Will there be interference in story matter? Of course there will. If I owned a foreign studio, do you think I wouldn't interfere?"

But film-maker Barry Levinson, whose own sweet-and-sour versions of the American dream include *Rain Man* and *Bugsy*, belongs to a newer generation. For him, foreign ownership is a fact of life and a factor of American incompetence.

"It's because we've run our own industry into the ground. Take MGM. Kirk Kerkorian raped that company for 20 years, sold off everything he could, destroyed studios. The 1980s was an age of corporate raiders who couldn't care less about the products they were buying or selling. So you can't blame foreign intrusion when our own greed has made the void for the Japanese or Italians to come in."

As for story interference, Levinson says you can always go to a rival studio if you want to make *Horror Of Hirohito*. But Warner's chairman, Robert Daly, raises another buzzword spawned by the new takeover fever: "synergy."

"When Sony bought Columbia," he says, "there was more concern in Washington than in Hollywood about our culture and history being bought by someone else. What the film community is worried about is the control of a software company by a hardware company. There's a different mentality that goes into running a creative business from one that markets hi-fi's and washing machines."

More bullish about both foreign ownership and industrial synergy is the new president of the Motion Picture Academy, the outfit that runs everything from the Oscars to grant programmes for up-and-coming film-makers. He is Robert Rehme, a former head of Matsushita-raided Universal.

"We live in a world dominated by telecommunications and instant communications; by satellites with 550 channels on them where you'll have a footprint over the whole Orient and be able to broadcast movies in 80 languages. Do we really suppose we can keep Hollywood as an American cottage industry? Or pretend that the new hardware won't impact every day on the way we make the software?"

Rehme points out, too, that Sony's investment in Columbia has resulted already in renovated studio space and a more ambitious production slate than any rival studio.

But where does the *film-maker* stand in these battles of the giants?

He is supposed to make recognisable movies about life in the country or culture in which he grew up, while his paymasters fight their cosmic wars over interstellar transmission systems or the role of the film studio (small) in the international conglomerate.

"A studio today is a tiny speck on the portfolio of major, major corporations," complains director Rob Reiner, who made the new smash-hit Tom Cruise/Jack Nicholson drama, *A Few Good Men*. That was produced by Castle Rock, the company Reiner formed six years ago after becoming disillusioned with big-studio bureaucracy. C.R. offers its movie-makers the tender loving care of a small business: exactly what is missing, claims Reiner, in big studios that have been gobbled up by conglomerates.

"Film companies are no longer run by people whose main interest is film. When the industry began in the early part of the century, you had these European refugees, mostly Jewish, who were just getting started and who liked putting on a show. It was their only means of income – the Sam Goldwyns and Louis B. Mayers – so they took a hands-on interest. Today, the studios aren't in the business of putting on shows but of turning out product. And you can't make films as product."

"Product". After synergy and software, here is the third billion-dollar buzzword. Only, you have to point out to most Hollywood people that they are using it. They do not realise they are bandying this bleak assembly-line term for something that used to be called a "movie" or a "picture."

Just as the long arm of Oriental ownership terrifies some observers with its threat of alien, remote-control leadership, others are daunted by the industrialisation of the vocabulary. "It's only a word," argues Rehme.

But Daly, sitting on the pile of gold produced in 1992 by Warner's "product," is unapologetic about the business jargon used in an increasingly competitive environment. What else when a studio must fight its corner with other components in a conglomerate – in Time Warner's case, cable and music?

"In 1991, our movie division contributed $319m to company profits," he says. And I spoke to him before Warner's no-less-impressive 1992 turnover was announced: $886m.

But wasn't there a whiff of "product" about this performance? Warner's two top earners last year both were sequels. *Batman Returns* and *Lethal Weapon 3* alone accounted for $300m at the American box office and were, let's face it, a case of shaking the same old tree for the same old fruit?

"It's great to have a franchise like that," argues Daly. "It means a repeatable flow of profit from a dependable line of product. Try telling the stockholders that we shouldn't make sequels. Try telling Time Warner."

Yes, but this is exactly what the paths we have followed all lead up to, is it not? The modern American movie world is assailed by the mentality of the quarterly balance sheet, and by the alien disciplines of big global companies used to making durable products rather than those more indefinably durable things called films.

No surprise, therefore, that film-maker Joe Dante – who, in the 1980s, goose-bumped a generation with the witty monster-mayhem of *Gremlins* – senses a growing gulf between the administrative class in Hollywood and the artist class.

"There are very few executives who understand what it takes to make a movie. They understand the money part, the deal part, but not the creative part. If there was a way for studio executives to make pictures without actors, writers and directors, they'd be happier."

Dante has another fear: that the ledger-book mentality is spreading from film bosses to film audiences.

■ Continued on Page XI

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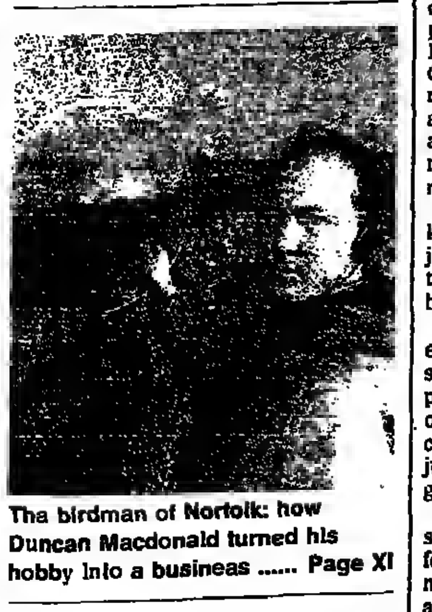
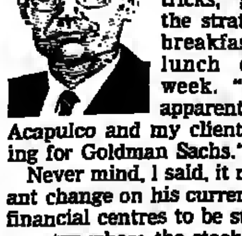


The birdman of Norfolk: how Duncan Macdonald turned his hobby into a business ...... Page XI

The Long View/**Barry Riley**

Jetlagged judgments



"I WISH British Airways were the *only* airline playing dirty tricks," grumbled Steve the strategist as he ate breakfast and I ate lunch one day this week. "My slides are apparently heading for Acapulco and my clients will be heading for Goldman Sachs."

Never mind, I said, it must be a pleasant change on his current world tour of financial centres to be stopping off in a country where the stock market was 15 per cent higher than this time last year. But he was distinctly unfazed. "That's OK for the locals," he pointed out, "but most of my clients account in dollars and on that basis the UK is 10 per cent adrift year-on-year. Wall Street is up – maybe only by 7 per cent, but that's in real money."

How did he view the UK stock market? I wondered. Did he subscribe to the judgment that the UK economy was tracking the US, but six to nine months behind?

There seemed to be some of the same elements, including a sharp fall in short-term interest rates and a flood of private investor money into equities, offset by a torrent of new issues. And of course there was a weak currency too, just as the dollar was plunging for a good part of 1992.

"Obviously there are similarities," said Steve. "There is the same potential for the development of a garbage stock market with the second-liners racing away on exaggerated recovery hopes or hot technology hype, leveraged by poor market liquidity.

"Private investors have been scared by the fall in savings deposit rates to 3 per cent in the States, and there was a net inflow of $200bn into long-term mutual funds in calendar 1992 including $80bn into equity funds. But because equity issuance exploded too, hitting $76bn, and Wall Street therefore only went sideways, the average total return was no more than 6.7 per cent on equity funds. Still, that was better than the alternative.

"Also, a number of the big listed corporations are in secular decline, because the structure of the economy is changing. In the 1970s you could never get fired for choosing IBM, but now even the chairman of IBM himself can be pushed out of the door. I guess the same applies even more in the UK, which is a more open economy."

Small company share prices have certainly been motoring in London, I said. The new FT-SE SmallCap Index had gone up by 11 per cent *so far* this year while the FT-SE 100 Index of the biggest companies was actually down a percentage point or two. As for garbage stocks, British Aerospace was up 55 per cent in six weeks. Investors' appetite for low quality was being underlined by the rights issue list, dominated by companies emerging from losses, with sketchy stories about recovery.

"These rights issues often seem very strange from my international perspective," said Steve. "I happened to be doing some sums on the Commercial Union issue on the way from the airport. Three-quarters of the £428m is simply going to fill the hole left by the past three years' dividends which were paid when there were no earnings. In Germany they would simply have cut the dividend out in the first place. It shows that the UK equity market is uniquely income-driven. Unfortunately, dividend growth prospects seem now to be historically poor, which is therefore a good reason for being cautious. And there are others."

Did that mean he did not believe in economic recovery here?

"Certainly it won't be vigorous enough to meet the political objectives," said Steve. "It happens I've just come from Japan, which points up some interesting comparisons. Japan has a debt deflation problem basically as bad as the UK's, maybe worse in some ways. But it also has a huge balance of payments surplus, over $100bn, which reflects an excess of domestic savings.

"Japan no longer has equity and property bubbles because those markets are busted flushes being propped up by the government, but instead there's a bond bubble, so that yen bond yields are now the lowest in the world, heading down to 4 per cent. Essentially this is because Japanese investors are being forced to invest internationally but will only do so when overseas returns are higher.

"Now look at the UK. Same debt deflation, but a massive payments deficit. When the economy was stronger the gap could be covered by attracting hot money at high short-term interest rates. Now short rates are having to be slashed because the economy is collapsing. Exit the hot money.

"You could try cutting the trade deficit by increasing taxes to curb consumption but the politicians don't like the look of that either. So you have to find other investors to finance the deficit – essentially international bond funds, maybe representing the Japanese with that surplus.

"Will they buy $30bn of UK government securities this year? Only if they are offered some tempting rates, and only if sterling is looking ridiculously cheap. Of course if sterling *does* weaken further it will tend to boost UK share prices in local currency terms.

"But the more powerful factor will be rising sterling long bond yields, already twice as high as the equity dividend yield."

I agreed that it had rarely been a good idea in the past to buy the UK market on a yield of 4.3 per cent and certainly not on a multiple of 20 times the past year's earnings. Besides, I said, the market was being propped up by privatised utilities, which was fine while the rest of the economy was weak but would dilute any recovery. These utilities accounted for 11½ per cent of the market's value, but 14 per cent of the dividends and 19½ per cent of the earnings. So the rest of the market was on an average price-earnings ratio of 22.3.

"Don't worry, in Tokyo the p/e ratio is 50," said Steve. "Look at it like this, things could be worse. And you don't have earthquakes here, do you?"

London

Please sir, we'd like a little time

By Peter Martin, Financial Editor

THE STOCK market got a £204.5m begging letter this week, disguised as a one-for-two rights issue from Trafalgar House.

True, the issue is fully underwritten, so the company is something of a hypothetical mendicant. But that does not make the request any the less pressing.

For example, the issue document makes clear that any shareholder taking up the rights will be financing his own dividends, since the 3.25p payout promised for the year ending in September 1993 will come from reserves.

Those reserves are heavily depleted by write-downs and exceptional losses on the company's £724m property portfolio. Without the proceeds of the rights issue, Trafalgar House would be £92m short of the £500m of capital and reserves required under its banking covenants.

It is not surprising, perhaps, that the new ordinary shares are being pitched at a 32 per cent discount to the market price. Or that they are accompanied by a significant tightening of the grip of Hongkong Land, a sister company of Jardine Matheson and part of the Keswick family group.

The arrival of the Keswicks, who first took an interest in Trafalgar House last year, has already brought about a change at the very top of the company. Now, through the mechanism of the rights issue, they may well take their stake close to the 29.9 per cent for which they made an unsuccessful bid last year.

While all this has been going on the price of the company's ordinary shares has doubled. It touched a low of 39p last year, before the Keswicks arrived, and was 88½p immediately before the rights issue. Since then it has fallen, closing on Friday at 76p, down 16 per cent on the week.

The Keswicks have proved shrewd investors to follow in the case of one UK company, Kwik Save, which has risen from roughly 300p to over 800p since they took an interest in early 1987. Whether their judgment remains as sound in the case of Trafalgar House is open to question: much turns on the outlook for the heavy engineering business, which is now the company's core activity, and the market for the group's other subsidiaries.

On the first point, the short-term prospects are poor, since levels of activity in this business are still falling. On the second point, the company makes it clear that the rights issue is intended to buy time to allow non-core activities to be sold off at a reasonable price. A verdict on the shares thus revolves around how much time is needed – and how much of it £205m will buy.

Trafalgar's directors were not the only people buying time this week. The governor-designate of the Bank of England, Eddie George, was busy at the same task. He was attempting to stave off the moment at which it becomes necessary to raise interest rates to prop up the pound.

The urgency of this activity stemmed from the slide in sterling, which fell for most of the week, touching DM 2.3245 in early trading on Friday, a drop of 7 pfennigs on the week and a devaluation of 21 per cent from the old ERM central rate. The stock market, casting off the insouciance with which it had regarded the falling pound in recent weeks, suddenly woke up to the fear that its weakness might force the government to raise interest rates: on Tuesday, the FT-SE 100 index dropped 38.7 points, to 2,831.3.

By Thursday, an urgent defence of the pound was clearly needed. First, on Thursday, Eddie George gave an unusually personal speech in Frankfurt, capital of hard-money rectitude, in which he stressed his commitment to monetary stability. Then, on Friday, still in Germany, he gave a press conference. "It is clear," he said, "that if the exchange rate weakened substantially further, we would have no option but to tighten policy further."

Of the two, the Thursday speech may prove the more memorable. George stressed the importance of the Bank's new quarterly inflation reports – the first of which is due on Tuesday – and the chancellor's emphasis, when appointing the new team at the Bank, on the task of bringing about a lasting reduction in the rate of inflation.

"We take both these responsibilities extremely seriously within the Bank," George told his German audience. "They may not amount to constitutional independence for the central bank, such as you enjoy here, but in our view they represent a very considerable forward movement, which will do very well to be going on with."

In spite of these stirring words, the pound continued to fall after the speech. Its recovery, which started in mid-morning on Friday, stemmed not from any rhetoric from the Bank, but from the visible signs of lack of inflationary pressure in the economy.

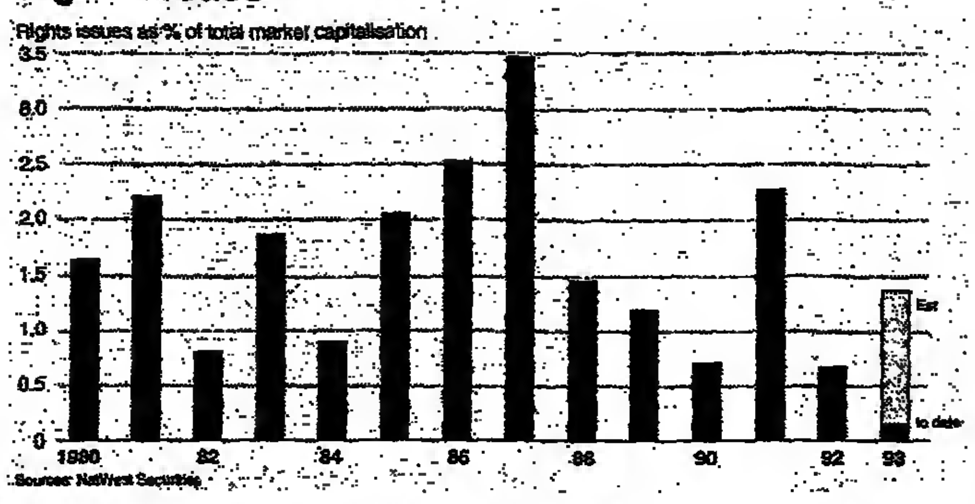
The consumer price index for January showed that prices were only 1.7 per cent higher than a year ago, the lowest figure since 1967. Even stripping out the effect of lower interest rates, inflation was still substantially better than the City's economists had expected: the underlying rate was only 3.2 per cent, a drop of half a percentage point in a month when most economists were expecting a rise close to the government's intended 4 per cent ceiling.

The drop in underlying inflation was the more striking since Tuesday saw a sharp rise in manufacturers' costs, which are growing at 7.2 per cent a year.

Gilts rallied strongly on the inflation news, with the yield on 10-year gilts dropping to 7.9 per cent, the first time it had been below 8 per cent since at least 1976. Sterling recovered, to close at DM 2.3480. It was a development the Bank of England's new man can regard with some satisfaction. But it also offered a warning: from the market's point of view, deeds count more than words.

Rights issues

Rights issues as % of total market capitalisation



Source: NatWest Securities

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1992/93 High	1992/93 Low	
FT-SE 100 Index	2843.0	-19.9	2873.5	2281.0	Rights issue fears
FT-SE Mid 250 Index	3006.3	-44.2	3051.4	2157.3	Rights issue fears
Clifford Foods	573	+68	573	385	Bid from Unigate
General Accident	566	-31	612	356	Rights issue worries
Glaxo	704	+55	943	632	Oversold in US
Grand Metropolitan	440	-17	515	360	Rights issue worries
ICI	1160	+31	1410	975	Stock overhang disappears
IMI	261	-21	306	210	Warburg "sell"
Johnson Matthey	467	-28	537	317	Charter Cons sells stake
Mirror Group	103	-14	125	49	Strike worries
Rank Organisation	688	-25	772	444	Gloomy presentations
Reuters	1336	-64	1438	982	Heavy US selling
Simon Eng	121	-15½	304	69	Loss making contract
Storehouse	183	-21	219	67	Chief executive resigns
Trafalgar House	76	-15	165	39	Rights issue

Serious Money

For once, don't blame the insurers

By Scheherazade Daneshkhu

THE INSURANCE industry is worried about its image. The Association of British Insurers, its trade body, is launching a campaign to counter the bad publicity it believes it has incurred in the past year.

Some of the measures it is considering are welcome: for one thing, the ABI says the advertising campaign will tell people not to take out life assurance if they cannot afford it. This is an attempt to limit high lapse rates in the industry. These early surrender levels have caused concern, particularly since the Securities and Investments Board (Sib), the main regulating body for the industry, disclosed the extent of early lapses at the end of 1991.

Sib said that, in 1990, 37.1 per cent of unit-linked life policies and 23.1 per cent of with-profits policies were terminated within two years of being started. Most of these were sold on the back of a mortgage.

As regular readers will know, early surrender values are so poor that most who cashed in early will have lost money. There have long been fears that endowment mortgages are oversold because of the high commissions paid to intermediaries such as banks and building societies.

Sir David Walker, then chief of Sib, said he thought too much pressure was being put on consumers to take out endowment mortgages because of the industry's remuneration structure. At one stage in the 1980s, four of every five mortgages sold were endowments.

Banks and building societies would deny they failed to give best advice to customers on their type of mortgage. Yet, there are times when the limited choice presented to consumers is all too obvious.

Take the case of fixed-rate mortgages. John Charcol, the insurance broker, said this week it had received an unprecedented demand for fixed-rate mortgages. This is not surprising, since the standard prevailing mortgage rate is at its lowest since 1971.

Some of this week's offers certainly are attractive. Alliance & Leicester building society has a fixed rate of 5.95 per cent for one year, 6.35 per cent for two years and 7.99 per cent for five.

Midland bank will fix your mortgage at 6.75 per cent for two years and 8.49 per cent until the end of January 1998. Woolwich yesterday launched a two-year fix at 7.25 per cent.

But there is a snag. These fixed rates are available only if you take out an endowment or pension-linked mortgage. Those wanting a repayment or interest-only mortgage are being offered nothing at all.

One reader, who has a repayment mortgage with National Westminster, complained that he would have to go through with the full costs of a remortgage because NatWest will not offer him a fixed rate on his existing mortgage.

One line of defence put out by lenders is that they are under competitive pressure and can offer lower interest rates only by tying the mortgage to life products – a tenuous argument. Another line of defence is based on the funding of fixed-rate loans. The lender borrows funds on the money markets at a fixed rate. It then offers them to customers at a higher, fixed rate.

"In order for this to be profitable for us, we lend it for the same period at a fixed rate of interest," said a spokesman for the Midland. "We would, potentially, get back less interest on a repayment mortgage."

With these, each month's payments includes interest and an element of capital repayment. The interest decreases as the capital reduces and the rate of its repayment increases. Endowment or pension-linked mortgages are interest-only loans which rely on the maturing fund to pay off the capital.

Nevertheless, this does not appear to prevent other lenders from being able to offer fixed rates on repayment mortgages. Chelsea building society has a fixed rate of 6.99 per cent until the end of June 1995, and 7.99 until the end of June 1997. Leeds & Holbeck has a one-year fix at 5.99 per cent and a four-year rate of 7.99.

The catch in these offers is that you have to take out buildings and contents insurance from the society as a condition of the loan. As the *Weekend FT* has pointed out more than once, this is often more expensive than similar insurance available elsewhere.

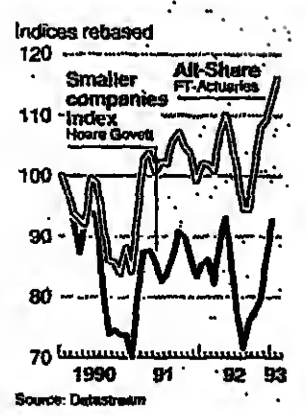
Abbey National, Halifax, Cheltenham & Gloucester and TSB are, however, among those offering competitive fixed-rate loans without requiring insurance-related products to be taken out, although packages for first-time buyers still demand them.

Last year, the department of trade and industry said it was "determined to ensure that home-owners are not coerced into buying services from mortgage lenders that they either do not want or would prefer to buy elsewhere." But measures have not yet been implemented and the Consumers' Association calls the proposals wholly inadequate."

So, the insurance industry should not take all the blame for the robust selling tactics of the banks and building societies, which rely on insurance products for an increasing proportion of income – Halifax earned 27 per cent of its profits from insurance commission in 1990, according to the Office of Fair Trading. But it could support measures such as commission disclosure, and issue clear warnings that endowments do not guarantee to pay off a mortgage, so consumers can make a more informed choice. If the insurance industry really wants to improve its image, that would be a good start.

AT A GLANCE

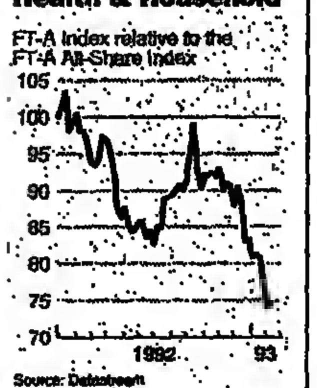
Indices rebased



Source: Datastream

Health & Household

FT-A index relative to the FT-A All-Share index



Source: Datastream

Smaller companies find new fans

Are small companies getting bigger at last? Optimism is growing, with the launch of a new investment trust (see Page V) and analysts such as John McClure at Guinness Flight are making bullish predictions that smaller companies can out-perform. But shares in smaller companies stood still last week. The Hoare Govett Smaller Companies Index remained virtually unchanged during the week to Thursday, dropping from 1342.07 to 1342.06, while the County NatWest index was similarly almost static, falling from 1047.76 to 1047.71.

Pharmaceutical stocks slide

Several UK pharmaceuticals stocks fell sharply this week as US investors decided that there were still too many questions surrounding the health and household sector.

The large US institutions have decided that the growth rate of a number of drugs stocks, particularly Glaxo, is declining. They also note increasing signs of a US recovery and the subsequent need to move away from stocks that perform well in times of recession. Finally, they are concerned at the threat of price reform proposed by the Clinton administration.

UK investors are more enthusiastic and there were signs at the end of the week that prices might have stabilised.

Prudential pensions offer

Prudential, which provides one eighth of the UK's personal pensions, has added three new flexible features to all its pensions. It is now possible to take breaks from paying premiums of up to five years without incurring any extra charges. Savers can also have as many five-year breaks in contributions as they like, although this is not recommended. Conversions between old-style retirement annuity contracts, personal pensions and additional voluntary contributions, often necessary when moving jobs, can also now be made free of charge. Finally, the level of premiums paid can now be altered, with no extra charge. All the changes take effect retrospectively – they effect all Prudential pensions, retirement annuities and freestanding additional voluntary contributions already in force.

Scottish Widows cuts pay-outs

Scottish Widows has cut bonuses on its with-profits contracts. The company said that in spite of a good 1992, bonuses had to take account of low nominal investment returns compared with the 1980s, and the current low base rates. Maturity values for a policy started by a 29-year-old man paying £30 per month premiums are £58,754 for a 25-year policy, down from £61,505 last year. Over ten years, maturity values on the same assumptions fell from £7,295 to £6,619.

BT shares reminder

Holders of British Telecom shares will have received notice this week that the final instalment on their part-paid stock is due by March 2. To keep the shares, the final instalment of 105p per share must be paid; those who hold the instalment discount need only pay 90p. BT advises those paying by cheque to ensure the registrars receive this by February 25 so that funds are cleared by the due date. Alternatively, the part-paid shares can be sold using the Number 5 certificates before February 19. If no action is taken, the shares will be lost with the investor receiving no more than 230p per share in compensation. The BT Call helpline is on 0903-503733.

Wall Street

General dismay turns to General glee

"A BILLION here, a hillion there, and pretty soon you're talking abont real money." Senator Everett Dirksen, a prominent Republican senator during the 1960s, might have been talking about government spending hut his sarcasm echoed down the canyons of Wall Street this week after General Motors and Ford announced collective annual losses for 1992 of more than $30bn.

The majority of the lost billions is not "real" money in the normal sense, though. GM reported a $23.5bn deficit, the largest in US corporate history; bnt excluding the hillions in special non-cash charges taken to cover changes in the accounting of medical benefits, the auto-maker actually was in reasonable shape last year.

For the fourth qnarter, it actually mnde a profit of $273m – a significant turnaround for the tronbled Detroit behemoth which, in the same quarter last year, lost $520m. Investors were delighted by the improvements in operating earnings, especially the rebound in GM's cash flow.

In fact, this past week must rank as one of the hest in GM's recent history. It opened with a host of negative newspaper stories about the previous week's decision by a jury to award $101m in punitive damages to the parents of a 17-year-old who died in a fiery crash in a GM pickup truck.

The company's decision to appeal the ruling, and to step up its fight against charges that some of its trucks are dangerous hecause of badly-placed petrol tanks, was criticised widely as ill-judged and risky. By midweek, however, morale at GM was soaring after a devastating nttack on the television network NBC, which last year ran a documentary about the controversial pickups and their allegedly deadly petrol tank design. Filing snit against the network, GM argued persuasively that NBC *had* rigged a televised test accident to show the explosive effect of a side-on collision.

On Wednesday, *NBC offered* a fulsome apology for the rigged accidents. Within two days, GM was reporting its better-than-expected fourth-quarter results. By the end of the week, GM stock had jumped 9 per cent in value to more than $41.

While GM was bouncing back from adversity, Ford was also enjoying some rare positive pnblicity. Despite e slightly disappointing fourth quarter, sales of its cars and trucks in the US were np last year and its ehare of the domestic market also was higher.

However, like GM and other big US corporations, Ford had to take a hig charge to cover accounting changes which, on top of the cost of a major restructuring of its European operations, left it with e 1992 loss of $7.4bn.

The billions were being thrown abont liberally elsewhere among the country's corporate elite (or former elite) this week. Sears, Roebuck said on Thursday that it will spend $4bn over the next five years opgrading its 800 stores as part of the plan, announced last year, to return to its roots as a retailer.

Investors welcomed the facelift, along with details of Sears' proposed disposal of the Coldwell Banker property subsidiary and the Dean Witter brokerage unit, and the retailer's stock rose by $2 to $52⅜.

While some of the nation's biggest corporate names were enjoying a good week, the overall market picture darkened somewhat.

By midday yesterday, the Dow Jones Industrial Average, which only a week ago reached an all-time closing high of 3,442.14, was struggling to hold its head above 3,400.

Nothing specific had triggered the setback, save for some typical post-rally profit-taking and consolidation. Bnt a slight uneasiness could be detected on Wall Street about the previous week's advances – a feeling that the markets may have been pushed too far, too early.

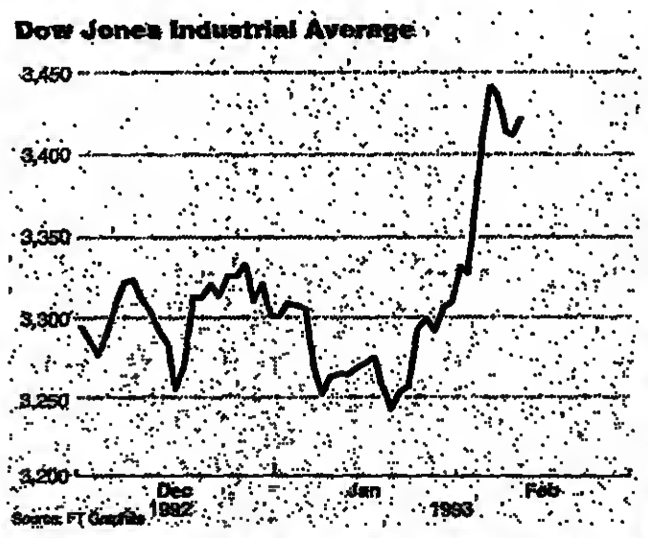
The recent rise in the Dow, and tha more spectacular gains in the wider and secondary markets, have been built on a growing confidence that, in his first year, almost everything that can go right for President Clinton will go right.

If the pace of economic growth (helped by a fiscal stimulus package) continues to accelerate; if the Clinton administration manages to push deficit-rednction measures through Congress; if inflation remains dormant; if domestic interest rates stay low; if the dollar remains competitive on foreign markets; if consumer confidence stays on its upward course; and if the corporate restructuring and cost-cutting of 1990-1992 continues to pay off dividends, then the recent surge in demand for stocks will have been justified.

That, however, as many investors realised this week, is a lot of ifs.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3437.54	– 04.60
Tuesday	3414.58	– 22.96
Wednesday	3412.42	– 02.13
Thursday	3422.69	+ 10.27

The Bottom Line

Bright outlook for composites

PROSPECTS LOOK good for Commercial Union, one of the higgest insurance groups, judging hy the stock market's positive responee to tbe company's £428m rights issue on Wednesday.

The one-for-five offer, which gives CU shereholders the opportunity to hoy new shares at the discounted price of 490p, was accompanied hy a results statement showing better-than-expected profit figures for 1992. It has been well received by investors.

"The issue was designed to take off like a space rocket," said one analyst.

It has come amid an improvement in market sentiment towards ths sector resulting from forecasts of an across tha hoard return to profitability in 1993.

The five composites – so-called because they underwrite a mixture of general and life insurance – lost around £2bn in 1990 and 1991, mainly because of an upsurge of weather and recession-related losses. But because so much capital has been sucked out of tbe industry, competition has declined and companies have been eble to increase premium rates substantially. The loss of several thousand jobs in the last two years, has also improved productivity and profits.

The two companies hardest hit in the downturn have both witnessed spectacular rises in the share prices in recent months. Guardian Royal Exchange was up 50 per cent last year, while the market capitalisation of Royal Insurance, which briefly left the FT-SE 100 after omitting its dividend last February, doubled between September and January.

Sun Alliance (up 19 per ceot) and General Accident (up 26 per cent) also grew ahead of the FT-A All-share index last year, while CU itself rose by 29 per cent in 1992.

CU's price has fallen only marginally since the rights issue and most London analysts have heen revising upwards profit forecasts for 1993.

The market has heen impressed by the strength of the company's growth, especially in the UK market in the fourth quarter of 1992, as well as pre-tax profits of £32.4m for 1992.

Steven Bird, analyst with Smith New Court, expects the share to outperform the All-share index by more than 15 per cent this year with the dividend yield falling below the market average by the end of the year. He says that of all the composites CU is in the best position to take advantage of the improvement in insurance markets.

David Hudson, of Credit Laing Lyonnais, who has been sceptical about CU in the past, has revised his view: "It is the first time I have been a buyer for seven years. The shares will outperform."

"Upwards revisions in profit figures tend to he good for markst sentiment. The management is top notch. You cannot find any fault with what they have done."

There is less unanimity about the prospects for other insurers, however, with many analysts suggesting that investors have already discounted future profits.

Recent figures indicating that mortgage arrears are running ahead of expectations, show that there may be more bad news in store for Royal Insurance and Sun Alliance which have most exposure to domestic mortgage indemnity (dmi) insurance. The policies cover mortgage lenders against losses on some of their sales of repossessed properties.

Paul Hodges, of James Capel, suggests that if other companies follow CU's example and seek to raise capital, the flood of cash into the sector could re-expand insurance capacity, triggering price competitioo.

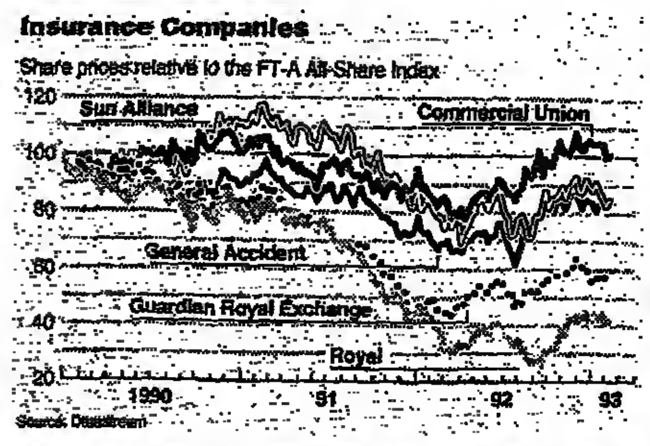
"The input of capital could lead to a curtailment of the upturn. This is the risk that is emerging," says Hodges.

He says this could aggravate a decoupling of the sector between companies which have stronger balance sheets and were able to expand or maintain market share during the downturn – CU, General Accident and Sun Alliance – and those which have weaker balance sheets and have been forced to shrink their business – Royal Insurance and Guardian Royal Exchange.

Richard Lapper

Insurance Companies

Share prices relative to the FT-A All-Share Index



Source: Datastream

So where does the market go now?

***Scheherazade Daneshkhu** asks fund managers to pilot private investors through its choppy waters*

THE STOCK market has had a strong start to the year with the FT-SE 100 touching an all-time high of 2,900 last week, although it had fallen back to 2,843 by last night. How, then, should private investors, especially those with large cash holdings who have been disappointed by the fall in interest rates, view their prospects?

The *Weekend FT* asked investment strategists from large institutions for their opinions on the market over the short and long terms. All agreed it would outperform fixed-interest instruments, such as gilts, in the long term but there were differences about the extent.

Norwich Union

Investment strategist Mike Grimble says: "The market has been strong since the beginning of 1993 but we have short-term concerns, arising mainly out of what will happen to UK interest rates.

"Our short-term view is that there will be a cut in base rates before the Budget, which will have a positive effect on the market because it will demonstrate the government's strong commitment to growth. Some of that expectation has already been factored in to the present level of the market.

"In the medium to long term, we are expecting earnings and profits to recover and better dividend growth prospects. We are expecting an upturn in economic activity, but it is difficult to know how quickly it will pick up. We would expect the FT-SE 100 to end the year at 3,000 and to rise to 3,300 at the end of 1994.

"There will certainly be volatility, particularly in the first half of the year as the market responds to interest rate cuts. It should be more subdued in the second half. Investors should expect large day-by-day movements but the tendency of the market will be upwards.

"Gilts will benefit in the short term, but the overhang of the public sector borrowing requirement (PSBR) will depress the longer-term outlook.

"We are expecting a low inflation and low interest rate environment in the long term. There may be some short-term inflationary effects from sterling's devaluation as a result of leaving the exchange rate mechanism (ERM), but we do not expect a return to high inflation. Our estimate for the year-end is 2.5 per cent, with this figure rising a little in 1994 but not to a major degree.

"In the long term, we still expect equities to outperform fixed-interest instruments, but we do not expect the difference to be as great as it was in the past. Our projection is that the average annual real return on equities in the 1990s will be 8 per cent compared with 15 per cent in the 1980s. The corresponding figure for fixed-interest instruments will be 6 per cent in the 1990s compared with 7 per cent in the 1980s."

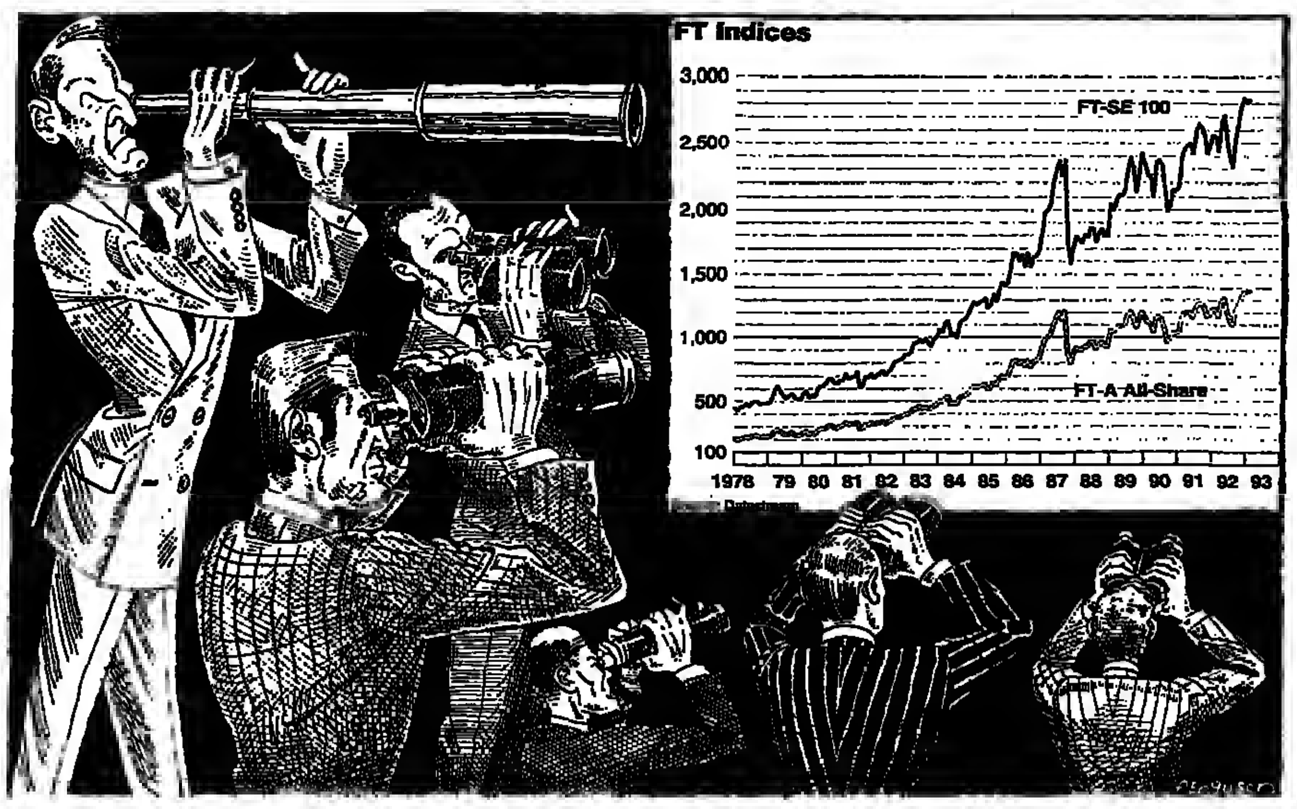
Henderson Crosthwaite

Research director Eric Hathorn is cautious. "We remain confident that the index will end the year higher than at the beginning because certain benefits will come through. I see Footsie at over 3,000 by the end of the year, but not much more than that. By the end of next year it should be up to 3,300, but only if there is no major crisis.

"My reasons for thinking the index will be higher is that companies involved in overseas trade will get a boost, particularly those with US subsidiaries. In addition, UK companies have pared themselves to the bone in the recession and, if we assume some extra loading on their plants, the gearing effect should be strong. But expectations of a very strong boost to exporters may be exaggerated, since obvious export markets such as Europe are depressed.

"We also have fears that the market may be fully valued. Expectations that there will be strong profit growth in 1993 have been factored in. But demand would have to pick up pretty quickly to reverse closures which are still continuing. There are also fears regarding the balance of payments, particularly if interest rates were to come down too far. We also worry that inflation will rise.

"The good side is that there still is a lot of private money to come into the market. Against that is the PSBR demand. The government will rely on gilt issues to fund it, so there will be competition for institutional money from gilts. The effect will be to depress the equity market. By the end of the 1990s, I would see the average annual real rate of return on equities as not higher than 11 per cent, compared with 15 per cent in the 1980s. Inflation helped to fuel share price performance in the 1980s, but that performance will be more modest in the 1990s because of lower inflation."



S.G. Warburg

Its UK economist, Kevin Gardiner, says: "True, the market has risen quite sharply. It reached the level of our year-end forecast of 2,900 last week. We do not expect the level to be higher than this at the end of the year because we expect rights issues to cap the overall level of the market. In recent history, only in 1987 was the price/earnings ratio higher on the market than today's 17. We foresee the p/e ratio falling back to 15 at the end of the year.

"We believe that the current yield of 4.25 per cent on the market compares favourably with current returns from banks and building societies. We expect bad news in one or two areas which make us believe that in 1993 it will pay to pick stock carefully. And the old motto, 'Never invest what you cannot afford to lose,' holds as good now as ever.

"In recent months, institutional investors have pushed up the price of stocks in the capital goods sector in areas such as building materials, heavy engineering and construction. However, we believe there are dividend cuts to come which will affect the price of these stocks. We favour strong balance sheet sectors such as utilities, some textile companies, food retailing and the media. These companies are not as dependent as the capital goods industries on a revival of strong demand in the market.

"The economy will pick up steam in 1994, but we expect interest rates to edge up to 8 per cent at the end of the year because of increased inflation. Unit wage costs are falling, which will keep inflation subdued in the short term, but we would see the underlying rate at 4.2 per cent at the end of the year and 4.5 per cent in 1994."

UBS Phillips & Drew

Mark Brown, the chief UK strategist, is relatively cautious about the market's performance in the short term. He expects Footsie to drop to 2,700 by mid-year but to end it at 2,900. "We have been positive for the past two years but, since last November, I have turned cautious, mainly because the market has done so well by anticipating recovery. The return on equities has averaged 20 per cent per annum in the past two years and that cannot continue.

"The other reason for caution is the obvious. The government will have to face its funding problem in the next financial year. The PSBR will put pressure on sterling and the government will have to change course on its funding policy, which will be difficult for the markets to take. We think the market is being too complacent about this. In the longer term, say two to five years, equities are the place to be in, compared with other assets such as gilts or cash.

"In the past 10 years, the average annual real return on equities was 13.4 per cent compared with 6.3 per cent from gilts and 6.2 per cent from cash. Our assessment for the next five years is that the total annual real return on equities will be 8 per cent, compared with 3.5 per cent on gilts. Inflation would average 5 per cent a year over the next five years.

"It is normally not the best time to buy into the market when it is rising but, historically, investors have tended to do this. The market would appear to be on the expensive side on a p/e ratio; it is also on the expensive side using the dividend yield on the FT-All Share, which is 4.3 compared with an historical average of 5. But you have to weigh this against very low short-term interest rates.

"However, if Footsie does get down to 2,700, that would be a more comfortable level at which investors could enter. Our main advice to private investors would be to think also of putting money into bond instruments and overseas equities. Overseas bond funds look particularly attractive."

BZW

Bill Smith, the head of UK research, also believes that, given the options, savers with money on deposit should be looking elsewhere, particularly at index-linked gilts and equities. "On the income side, there is no longer a big income penalty in owning shares because of the last cut in base rates. But there will still be capital risk because the market is volatile.

"There is a high valuation on the market because of the low earnings picture, and the first year of a recovery is always going to be risky. Private investors could try to lessen risk by spreading it through the use of collective funds such as unit and investment trusts.

"The main problem facing the market is that the government, in its need to finance the PSBR, will structure its own financing needs sufficiently attractively to make shares less appealing. We still see Footsie reaching 3,100 by the end of the year."

Capel-Cure Myers

Simon Rubinsohn, the portfolio strategist, provided the most bullish outlook. He expects Footsie to rise to 3,300 by the end of this year and 3,600 at the end of 1994. "We haven't had much good news from companies but, as they report their results, we expect the chairmen's statements to be positive. This along with signs of profitability emerging, will help sentiment.

"We also take a relaxed view of the influence of the PSBR on the gilt market. There will be underfunding, but we do not think that the government will necessarily be obliged to push up gilt yields to sell its stock.

"We have quite a high exposure to index-linked gilts, which we are maintaining, but we are moving out of conventional gilts into equities because we feel that, within the next year, the real returns available on them will be less than for equities.

"The sectors we favour are capital goods such as building materials, electricals and engineering, and the 'second-liners' such as FT-SE 250 stock. We are cautious on stores because we do not see a consumer pick-up in sectors such as health and household. Companies with dollar exposure should do well: we expect the dollar to strengthen to $1.30 to the pound by the end of the year. We are also optimistic about inflation and think it will average 2.7 per cent by the end of this year and 3.7 per cent next year."

Societies hit BES trail

John Authers prepares for a flood of new tax shelter schemes

BUILDING societies jumped on the business expansion scheme handwagon this week. The result should be a flood of new tax shelter schemes which allow access to money within five years.

Until now, societies have been unahle to take advantage of the BES because rules could not be agreed with their regulator, the Building Societies Commission. Several banks bave sold their reposseseed housing to BES companies in return for guarantees of loans after a short period, but building societies caonot do this.

The solution, first hit on by Bristol & West in conjunction with the sponsor, Close Brothers, is to establish a separate company, funded hy the society, to sell the repossessed properties to a BES company. This "middle man" company then provides the guarantees.

Another scheme was produced quickly by National & Provincial, and sponsored hy Johnsoo Fry. More seem certain to follow.

Bessa Bristol and West, with a capacity of £45m, will huy repossessed B & W properties from Residential Property Reversions. After five years, RPR will pay £1.05 for every £1 invested now. This has been underwritten with a sterling certificate of deposit from B & W, which also will make non-recourse loans to investors after six months at a rate of 73p for every £1 inveeted. Anthony Yadgaroff, of the Allenbridge Group, suggests that this scheme is appropriate only for those who want to take the money after six months.

N & P Multiple Choice Growth Scheme, with a capacity of £50m, is more of an oddity. There is no guaranteed exit after five years but non-recourse loans are available at several points – of 74p after six months, 78.3p after a year, 87.7p after two years and 98.2p after three. Maximum investment is £25,000 and only one loan will be made available to each investor.

The building society schemes are likely to hog investors' money. The other new BES schemes launched this week, which are not to be confused with those above, include:

■ Aegis II. Sponsored by Matrix Securities, this will buy properties for Leicester university which, after five years, will pay £1.13½ for every £1 paid now. This has been underwritten by Barclays bank. There is no non-recourse loan facility.

■ Cavendish Geared. Sponsored by Smith & Williamson and Matrix Securities, this is an unguaranteed scheme which will try to exploit low prices in the London residential property market. Its extra twist comes from the gearing it can obtain from fixed or capped mortgages of up to 60 per cent of the value after refurbishing the properties it buys. It aims to cover mortgage interest payments from its rental yield; this allows greater profits if the housing market recovers.

■ Hunter II. Sponsored by Property Enterprise Managers, this will look for bargains in the London residential property market. It has no "guaranteed" level of pay-back after five years but is aiming to profit as much as possible. Once the BES qualifying period is over, the company intends to liquidate and pay cash to shareholders by April 5 1999.

■ Jerry's Home Store. This is definitely not to be confused with the others as it invests in a trading company, not residential property. The company, founded by a team of former Marks & Spencer directors, will start a North American-style home furnishings shop in the Sloane Square area of west London. It is sponsored by London broker Townsley, and there are no guarantee or early exit options.

The week also saw an innovative application of the BES from Fairclough Homes, part of the AMEC group. Its Activator programme allows potential house-buyers to rent their homes for four years at a fixed price, and then convert to a mortgage.

The price at which they buy in 1997 is fixed at its present market level – which could be of great advantage if the market takes off – and the rent level is low. The weekly rent on a property valued at £40,000 is £30.69, according to Fairclough, while interest payments on a mortgage for this amount, at 7.99 per cent, would be £49.94. A £125,000 house would have a rent of £95.91.

Tenants would have to get clearance for a mortgage from the Royal Bank of Scotland – before taking up their tenancy. They would then have to buy the property in 1997, whatever their circumstances. But the mortgage is guaranteed, even if the tenant loses income during the four years, and the options to buy the house are transferable if necessary (although this might involve a lot of paperwork).

The finance for this comes from the Flexit BES companies, launched two weeks ago. Their low guarantee to shareholders after five years (Flexit will pay only £1.05 for every £1 invested this year) has allowed Fairclough finance cheap enough to make the Activator offer. The scheme is offering 750 new properties in 40 locations. If one of them seems appropriate, then it is hard to see how purchasing it could be made much cheaper.

The Week Ahead

BRITISH AIRWAYS, still struggling to restore its dignity following the Virgin Atlantic "dirty tricks" affair, will report its third-quarter results on Tuesday. But a £30m exceptional charge for re-organisation at Gatwick after the Dan-Air acquisition will knock the quarter's profits back to about £10m (£100m). Profits for the nine-month period to the end of December are likely to be about £237m (£285m).

Glaxo, the UK's largest pharmaceuticals company, is expected to report on Thursday that profits in the six months to December 31 will rise from £709m to about £775m. Sales growth of Zantac, the anti-ulcer drug which accounts for about 40 per cent of the group's sales, has slowed as cheaper rivals prepare to enter the market. The profits rise has been held back by higher spending on r&d and marketing.

Hanson, the Anglo-US conglomerate, will on Tuesday report its first-quarter results, covering the period to end-December. A small improvement is expected on the £228m pre-tax recorded a year ago – possibly up to £240m, excluding profits on disposals.

Much of the increase, though, will come from the translation of dollar profits at a more favourable rate. And analysts will look for further clarification of Lord Hanson's comments at the recent annual meeting that UK margins were likely to be tighter this year.

Dalgety, the food group, is reporting interim results on Monday for the six months to end-December. These are expected to show a small increase, to £56m, from pre-tax profits of £53.8m last time. UK trading is dull although there will be the benefit of Sooner Snacks, acquired in February. A good performance is expected from the US operation.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Brabant	44	34	39	7.31	Aberdeen Pet.
Clifford Foods	573*	573	523	12.61	Unigate
Do. A	251*	253	219	35.59	Unigate
Evode ‡	137	136	105	99.85	Laporte
Do. Prf. ‡	112	118	101	45.7	Laporte
Hunter Saphir	42*	43	361	10.37	Albert Fisher
Owners Abroad	104	119	109	154.96	Airtours
Do. Cnv. Prf.	103	208	179	53.6	Airtours
Pieton Int'l	25	26	20	2.66	Wills

*All cash offer. ††Cash alternative. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 12/2/93. §§Shares and cash. †Price at suspension.

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Black & Edgington	Eng	Jul	2,000 L	(6,830 L)	-	(-)	-	(-)
BP	O&G	Dec	458,000L◆	(415,000◆)	-	(7.7)	10.5	(16.8)
Brooks Tool	Eng	Sept	3,140 L	(1,700 L)	-	(-)	-	(0.25)
Butte Mining	Mine	Jun	13,500 L	(7,000 L)	-	(-)	-	(-)
City Merchants High	InTr	Dec	1,950	(683)	9.75	(3.37)	7.87	(3.25)
Commercial Union	InCo	Dec	31,400	(88,800 L)	52.2	(-)	24.25	(23.65)
Continental Assets	InTr	Dec	972	(612)	2.51	(1.56)	2.4	(1.25)
Crest Nicholson	C&C	Oct	2,030	(59,400 L)	-	(-)	0.01	(0.01)
Drayton Far East	InTr	Dec	1,600	(1,600)	0.94	(0.92)	0.82	(0.82)
EFM Java Tst	InTr	Dec	35 L	(102)	-	(-)	-	(-)
Finsbury Smaller Cos	InTr	Dec	361	(296)	3.0	(2.9)	3.0	(2.9)
General Cons Inv	InTr	Dec	6,120	(5,600)	9.56	(10.7)	9.37	(10.4)
ICC Bank	n/a	n/a	8,380	(7,350)	46.8	(48.9)	-	(-)
Kleinwort Overseas	InTr	Dec	2,840	(2,690)	3.54	(3.34)	3.3	(3.7)
Lancashire Enterprise	n/a	Dec	2,460	(2,120)	-	(-)	12.5	(11.0)
Lloyds Abbey Life	InLf	Dec	297,800	(265,500)	28.0	(29.1)	17.2	(17.3)
Lonrho	Cong	Sept	80,000	(105,000)	1.2	(13.9)	4.0	(13.0)
Manchester Ship	Tran	Dec	10,500	(10,800)	219.8	(339.0)	4.5	(4.5)
Noble Grossart	n/a	Jan	3,400	(3,350)	-	(-)	-	(-)
P&P	Elec	Nov	2,010	(711)	1.9	(0.7)	1.4	(4.25)
Ramadan (Harry)	H&L	Sept	606	(580)	7.2	(6.8)	4.5	(4.5)
Reuters	Med	Dec	383,200	(340,300)	61.8	(54.7)	21.2	(17.0)
River & Mercantile	InTr	Dec	13,200	(9,100)	10.0	(6.72)	9.2	(6.5)
Ryanair	n/a	Dec	850◆	(985◆)	-	(-)	-	(-)
Scottish American	InTr	Dec	14,490	(13,150)	4.75	(4.34)	4.35	(4.12)
US Smaller Cos Inv	InTr	Dec	41	(115)	0.03	(0.08)	-	(-)
Willoughbys Con	n/a	Sept	2,600	(1,800)	24.2	(15.6)	2.5	(2.0)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Armour Tst	FdMa	Oct	830	(910)	0.35	(0.31)
Bailey (CH)	Eng	Oct	773	(305 L)	-	(-)
Beeson Group	Misc	Nov	817	(225)	0.1	(-)
Betacom	Elec	Dec	350	(644 L)	-	(-)
Birse Group	C&C	Oct	2,700 L	(1,800)	-	(1.55)
Black (Peter)	Misc	Nov	5,730	(4,520)	0.93	(0.77)
BOC Group	Chem	Dec‡	90,600	(80,100)	-	(-)
Bryant Group	C&C	Nov	7,500	(9,800)	1.4	(1.4)
BT	TIPR	Dec◆	705,000	(759,000)	-	(-)
ECU Tst	InTr	Dec	56	(85)	-	(-)
Elan Corp	n/a	Dec♥	5,170	(3,050)	-	(-)
Elbief	Misc	Oct	244 L	(57 L)	-	(-)
English & Caledonian	InTr	Dec	130	(206)	1.25	(1.25)
Fleming Enterprise	InTr	Dec	978	(1,490)	1.3	(1.3)
Fleming Overseas	InTr	Dec	4,430	(3,470)	1.5	(1.5)
Govett American	InTr	Dec	24†	(-)	-	(-)
Industrial Control	Elec	Nov	2,570	(1,830)	1.33	(-)
Menzies (John)	Stor	Oct	3,800	(2,100)	3.8	(3.6)
Newmark (Louis)	Elec	Oct	993 L	(187 L)	-	(-)
Northumbria Fine Foods	FdMa	Sept	1,080 L	(253)	-	(0.75)
Pantheon Int'l	InTr	Dec	57 L	(371)	-	(-)
Scottish National	InTr	Dec‡	2,290†	(3,050†)	1.55	(1.85)
Standard Platforms	Elec	Sept	33 L	(471 L)	-	(-)
Stonehill Hldgs	Misc	Sept	170 L	(280 L)	-	(-)
Symonds Engineering	n/a	Sept	158 L	(124)	0.15	(0.3)
Throgmorton USM	InTr	Dec	579	(-)	-	(-)
Wills Group	BuSr	Dec	287	(164)	0.1	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † = Revenue after tax. ‡ = Net revenue. § = Figures for three months. ♥ = Figures for nine months quoted in Irish pounds & pence. ◆ = Net loss/profit. ◆ = Third quarter figures. ◆ = After tax profits quoted in Irish pounds & pence.

RIGHTS ISSUES

Commercial Union is to raise £428m via a 1-for-5 rights issue at 490p.
Stonehill Holdings is to raise £4.2m via a two-for-one rights issue.
Trafalgar House is to raise £204.5m via a 1-for-2 rights issue at 80p.
Wheeson is to raise £14.3m via a one-for-four rights issue at 280p.
Wills Group is to raise £5.4m via a 1-for-3 rights issue at 16p.

RESULTS DUE

Company	Sector	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS					
Amicable Smaller Enterprises	InTr	Friday	-	-	1.7
Baring Tribune Inv	InTr	Monday	1.7	4.5	1.7
English & Overseas Props	Prop	Thursday	0.5	0.5	-
Exeter Preferred Capital	InTr	Thursday	-	-	-
Fidelity European	InTr	Friday	-	-	-
Fleming Fledgeling	InTr	Wednesday	1.0	2.0	1.0
Foreign & Colonial	InTr	Friday	1.07	2.12	1.12
Greenwich Resources	Mine	Monday	-	-	-
GT Chile Growth Fund	n/a	Wednesday	-	-	-
Kleinwort Benson	MeBk	Thursday	5.3	10.7	5.3
Leslie Wise	Tex	Thursday	1.75	2.25	1.75
Mersey Docks & Harbour	Tran	Wednesday	2.0	4.0	2.5
Newmarket Venture Capital	InTr	Thursday	-	-	-
Pegasus Group	Elec	Friday	3.5	8.8	3.5
St Modwen Props	Prop	Tuesday	-	0.55	-
Temple Bar Inv Tst	InTr	Thursday	4.5	8.5	4.5
Throgmorton Tst	InTr	Wednesday	0.8	1.4	0.9
TR Pacific Inv Tst	InTr	Tuesday	-	0.25	-
Trust of Property Shares	InTr	Tuesday	-	1.432	-
Vardon	InTr	Wednesday	-	-	-
Ward Holdings	C&C	Thursday	-	-	-
Yeoman Investment Tst	InTr	Friday	0.5	-	-
INTERIM DIVIDENDS					
Alumasc Group	Misc	Thursday	3.55	7.45	-
British Airways	Tran	Tuesday¶	2.84	7.24	3.06
County Smaller Co's Inv	InTr	Tuesday	1.12	1.87	-
Dalgety	FdMa	Monday	7.5	12.0	-
Glaxo Holdings	H&H	Thursday	8.0	11.0	-
Hanson	Cong	Tuesday●	3.15	7.85	2.75
Howard Holdings	C&C	Tuesday	-	0.5	-
Korea Europe Fund	InTr	Monday¶	-	0.009	-
Latin American Inv Tst	InTr	Wednesday	-	-	-
Mid Wynd Int'l Inv Co	InTr	Wednesday	2.4	3.6	-
New Zealand Inv Tst	InTr	Wednesday	0.6	0.8	-
North American Gas Inv	InTr	Wednesday	1.12	1.12	-
Second Alliance Tst	InTr	Monday	12.0	24.5	-
SWP Group	BdMa	Thursday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. ¶ = 3rd quarter figures. ● = 1st quarter figures. ‡ Figures quoted in US dollars net.
Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.

Savers to get less

SAVERS will be relieved to discover that the huilding societies have not taken advantage of the last one-point base rate cut to widen their margins by more than a fraction.

Halifax, the UK's largest, this week announced gross interest rate cuts of between 0.6 and 0.8 percentage points on its savings accounts.

When it cut its mortgage rate hy just over half a percentage point (from 8.55 per cent to 7.99) on January 26 – the day base rates came down to 6 per cent – Halifax said it had given "special consideration" to its savers in setting the new level.

In most cases, the gross rates on its 90-day savings and instant access accounts are coming down by 0.65 of a point. In some cases, they are reducing hy 0.6 of a point.

This means that someone with £25,000 or over in Instant Xtra Plus (Halifax's main instant-access savings account) will receive 5.5 per cent gross, while a similar deposit in 90-Day Extra will earn 6.2 per cent. The Tessa rate has been reduced from 7.5 to 6.75.

There had heen fears that societies might be tempted to follow the banks, which have cut savings rates hy larger percentages to widen their margins.

Abbey National reduced its mortgage rate hy 0.51 of a percentage point hut cut gross rates hy 0.95 of a point on the highest band (£25,000 plus) of Instant Saver, its instant-access savings account. The rate on this band is now 5.1 per cent gross.

Lower halances have seen smaller reductions of 0.65 per cent, but this represents a high proportionate drop. The gross rate on deposits up to £500 has been cut from 1.15 per cent to 0.5 per cent.

Midland has also cut almost all gross eavings rates by 1 point, with a handful going down hy 0.75 of a point and one by 1.25 points – hut it has also reduced rates on its credit cards. The annual percentage rate will drop from 25.3 per cent to 23.1 per cent from March 2.

Overdraft rates have fallen by 1.3 to 1.4 points but the reduction on the bank's mortgage rate was only 0.56 of a point.

The societies, which depend on savers for their funds, have, like Halifax, been reluctant to cut savings rates too steeply for fear of losing deposits.

They had a net outflow of funds in five months of last year, and net receipts for the year totalled only £295m compared with £5.8hn in 1991.

Chelsea building society, which cut its mortgage rate by 0.51 of a point to the market rate of 7.99 per cent, reduced its gross savings rates hy up to 0.75 of a point this week.

Leeds Permanent reduced gross rates on Liquid Gold, its instant-access savings account hy between 0.5 and 0.75 of a point following its mortgage rate cut of 0.56. The rate paid on £25,000 and above is 5.6 per cent gross.

From today, gross rates on Solid Gold, Leeds' 90-day savings account, are cut by 0.7 of a point on the top and bottom of its five bands with the middle bands, covering deposits of hetween £10,000 to £49,000, reduced hy 0.55.

Someone with £50,000 and above will earn 7 per cent gross, while deposits up to this level hut over £25,000 will earn 6.55 per cent.

Scheherazade Daneshkhu

New look for tax forms

MANY taxpayers can expect to receive a new, multi-colonred tax form inside their traditional buff envelopes from the Inland Revenue at the end of this tax year in April. Around 8m self-employed people, and others who get the form 11 personal income tax return, will be the first to experience the results of the Revenoe's comprehensive overhaul of layout.

After months of work with Wolff Olins, the design and corporate identity consultants, the Revenue is about to start circulating the first of its new-style forms. It is starting with Form 11 in its eight variaots – including versions for the clergy, Britons resident abroad, members of the armed forces and Lloyd's underwriters – which will be sent out from April 6. Those who have all their tax deducted automatically through pay-as-you-earn – the majority – will not be affected.

The old, dull hrown form had eight pages that were two-thirds the size of an A4 sheet. The new version is full A4, in two-tone peach and hlue-grey on white. But it also contains far more text and runs to 12 pages.

"My initial impression was that it looked horrendous," says Martin Donn, personal tax manager at sccountant Blick Rothenberg. "But, in fact, it is jolly good. It will be much easier to complete. It is much more user-friendly." Erica Stary, from tax lawyer Taylor Joynson Garrett, adds: "I take my hat off to the Inland Revenue for trying, hut I'm unhappy with the consequences. It will help the Revenue more than the taxpayer."

The Revenue says the aim is to allow taxpayers to understand and complete the form more easily, while also cutting its costs in having to deal with incorrect returns.

The form attempts to introduce a more logical format, with instructions down the left-hand side and columns for figures to be completed on the right. The language used is more helpful and consistent in style, and less authoritarian.

Many see it as the start of a move towards self-assessment, hy which taxpayers will estimate their own tax and send in the amount to he paid with their form. This could be introduced as early as 1996.

If the form turns out to be as easy to complete as the Revenue hopes, it certainly should reduce the scope of work for accountants and other tax practitioners.

It will also pave the way for 40 other forms and documents, scheduled for the new tax year, which have been re-designed as part of a wider programme to update all 800 official forms now in use.

Andrew Jack

FINANCE AND THE FAMILY

Risk and reward in recovery funds

*They buy recession-hit shares cheaply, then wait for the upswing. **Scheherazade Daneshkhu** reports*

RECOVERY funds are beginning to live up to their name. These are inherently riskier than most, the idea being to invest in companies which have got into difficulties, causing a slump in their share price. The theory is that a point is reached where these difficulties are over-estimated; at that stage, the cheapness of the shares allows for large gains once the company "recovers."

The theory does badly in recessions, something shown clearly by the table of recovery funds in the unit trust sector. "We've had three miserable years," says Richard Hughes, fund manager of M & G's Recovery unit trust, the largest recovery fund in the UK growth sector. "Companies which are struggling do not find it easy to solve their problems when sales are falling."

As the figures show, however, recovery funds displayed a marked improvement in performance in the year to February. Fidelity's fund, ranked 131 in the UK growth sector in the three years to February, is now top.

Recovery funds are not a sector in themselves, and definitions of what distinguishes them from a general UK growth or a special situations fund are debatable.

Graham Clapp, manager of Fidelity's fund, says: "When a company has problems and the share price falls significantly, I buy the shares if I think something will happen to reverse that – usually a change in management – or if I anticipate a change in the industry." He bought into Burton Group, the largest holding in his fund, early last year after a change in management.

The ailing Midland bank also was seen as recovery stock in mid-1991 when Clapp invested in it. As he explains: "We anticipated a change in the banking industry in terms of the profitability of the UK banking business, and there had been a change in management."

Fidelity's fund holds a maximum of 10 to 15 per cent in Footsie stock, but the strongest concentration is in smaller companies. Similarly, M & G's Hughes chooses companies with a weak balance sheet, bad management or a troublesome subsidiary. "I wouldn't go off and buy Glaxo just because the share price is low," he says. A maximum of about 30 per cent is invested in FT-SE 100 stock.

Like recovery stocks, special situations' stock often is undervalued, but the reason for this is different. Clapp cites the example of Racal. "When it was starting off Vodaphone, you could not class it as being in a recovery-type situation."

While the recession has provided few chances for investors to make money, it has given fund managers opportunities to buy. Patrick Evershed, hired from Framlington by Brown Shipley to revive its recovery trust, which was languishing at the bottom of the league tables, has taken a more "purist" view of recovery stock.

He has been buying into highly depressed sectors in the past 18 months including estate agents (such as Savills), car dealers, house-builders, and retailers. "Recovery stocks have got to be companies which are badly hit because of management problems or the recession," he says. "I'll buy anything which is depressed and which I think will rise sharply."

There lies the risk for the recovery style of investment. "If it is run as a genuine recovery fund, it either does very well or very poorly," says Simon Atherton, of Barclays Unicorn. "But the main attraction of these funds is the speed with which they deliver capital performance once there is a change in the economy."

The spur to improved performance figures in the year to February was the UK's exit from the exchange rate mechanism. In the past, cyclical stocks have benefited from the devaluation of sterling as the UK comes out of recession – a process unlikely to have been repeated while the UK remained within the ERM. "Coming out was the best thing to have happened to recovery stocks for a long while," says Hughes. "Stocks which were struggling suddenly became more attractive."

Can it last? Recovery stocks should do well if there is a sustained recovery in the economy. For the first five months of last year, they showed a brief upswing, only to fall back in the summer as the government affirmed its commitment to the ERM. But if the economy is emerging from the latest recession, they should perform strongly over a substantial period.

"Companies which had problems before the recession, but have managed to last this long, are likely to see their fortunes get dramatically better," says Clapp. Hughes adds: "The upswing may not have started now but, when it does, I would expect it to last for three to four years."

Recovery funds are likely to appeal only to those with strong nerves, though. "They are suitable for long-term investors who are willing to sweat out the dips," says Hughes.

In theory, smart investors buy into them as the economy begins to recover and sell as it enters the next recession. But as Hughes points out: "The problem is that no one spots the bottom."

Long-term investors should be rewarded, however. "Recovery funds should outperform the index in the long-term to justify their existence," says Hugo Tudor, manager of Schroder's institutional recovery fund. The table shows that six of the eight recovery funds in the 10 years to February outperformed the FT Ordinary share index, while half beat the average for the UK growth sector over the same period.

UK Growth sector (unit trusts)

Fund	Size (£m)	Growth (per cent)/Ranking 1 year	2 years	3 years	5 years	10 years
Aatna Recovary Acc	12.0	3.8/53	37.3/37	-	-	-
Allied Dunbar Recovery	48.8	3.7/119	32.1/81	6.7/96	25.0/75	303.6/13
Arkwright Recovery	0.7	13.0/29	31.4/68	-27.2/137	-15.7/103	95.2/49
Barclays Unicorn Recovery	70.6	13.7/27	28.9/82	1.8/105	24.2/77	264.0/25
Brown Shipley Recovery	2.9	14.2/23	19.2/127	-37.4/138	-44.1/106	137.6/47
Century Recovery	3.1	7.3/76	33.1/55	13.4/65	18.7/85	-
Fidelity Recovery	24.0	26.4/1	50.8/7	-16.4/131	3.9/95	-
Guiness Flight Recovery	2.6	4.4/111	12.7/132	-25.7/136	-14.1/102	276.1/23
Legal & Ganeral UK Recovery	25.0	14.0/24	46.8/11	28.8/20	-	-
M&G Recovary	895.9	20.2/5	37.8/35	9.4/84	51.6/29	557.8/2
Mercury Recovery	48.9	10.5/44	21.2/119	7.0/95	11.5/93	359.3/7
Prolific Recovery	14.6	9.3/47	-	-	-	-
Schroder Recovery	196.1	14.5/21	32.0/63	9.3/85	53.3/26	342.3/9
Av UK Growth fund/Total funds	50.5	8.0/147	30.8/143	11.5/139	37.1/107	280.5/49
FT Ordinary Share Index		9.1	28.2	16.3	51.7	249.7

Source: Finstat. Figs to February 1. Offer to bid, income reinvested (income may include managers' estimate of dividend)

Trusts eye smaller companies

SMALLER companies are finding favour on both sides of the Atlantic with the creation of two smaller companies investment trusts.

Foreign & Colonial US Smaller Companies is, as its name implies, a trust managed by F&C which will hunt for bargains among the smaller companies in America. It will take the same long-term capital growth approach as F&C's US Smaller Companies unit trust, which leads its sector over five years, and will share the same managers.

On standard counter-cyclical principles, this might not seem a good time to dive into the US. According to *Finstat*, F&C's unit trust has grown by 56.6 per cent over the past six months, a growth rate which is scarcely sustainable. But the dollar's recent rise against the pound accounts for much of the strong performance, and several economists are forecasting that this will continue, although more slowly.

James Findlay, manager of the new trust, says the stronger dollar will help smaller companies competing mainly in the US domestic market, providing the conditions for them to out-perform larger concerns, and that economic recovery should allow growth.

F&C's management team also believes that many of the strongest performers of the past 10 years, bought on the strength of their brand name recognition, are now over-valued with low yields. This could lead to a switch of funds within Wall Street from larger to smaller companies.

In order to limit the risk that the shares will move to a discount to net asset value, F&C is giving the new trust a fixed life of 10 years and attaching warrants that allow the holder to buy shares, at 100p apiece, on November 30 in the years 1994 to 2002. Most investment trusts trade at a discount.

The offer period runs until March 5 and dealings will start on March 11. Maximum Pep investment is £1,500, as the trust does not qualify for the full annual £6,000 allowance. Minimum subscription is £500.

In the UK, Charterhouse Tilney, the stockbroker, yesterday launched the Pilot investment trust which will target the 1,000 or so smaller companies with a market capitalisation of only £30m.

Rutherford Asset Management, which will run the trust, say that given the recent cuts in interest rates and growing expectations of an improved economy, it expects smaller companies to offer attractive investment opportunities.

Pilot's chairman, Sir Peter Michael, who also chairs Cray Electronic Holdings, said that those smaller companies which have survived the recession are particularly well placed to take advantage of an economic upturn.

A total of 50m ordinary shares at 100p each are being offered, and Rutherford says £23m has been raised. Like the F&C trust, the trust has a fixed life. One warrant is attached to five ordinary shares in an attempt to limit the perennial problem of investment trust new issues - that the shares fall to a discount to net asset value. Dealing starts on March 1.

Investors would be able to buy shares at 100p from 1994 to 1998 by exercising their warrants. The trust will be wound up in 2000 unless shareholders wish otherwise, in which case its life will be extended for another five years. Shares in the trust qualify for the full £6,000 annual Pep allowance but there is no Pep attached to it. Minimum investment is £1,000.

John Authers and Scheherazade Daneshkhu

FINANCE AND THE FAMILY

Investment Trusts

Simplicity pays off for Alliance

John Authers reports on the strategy behind a Scottish success story

A COMPANY set up to lend money to sugar planters on the Sandwich Islands does not sound like a prudent home for a small investor's money. Neither, in the present economic climate, does a fund to invest in the debt of American railway companies. But the Alliance and Second Alliance trusts, based in Dundee, Scotland, sprang from these origins and have in recent years provided exactly the kind of investment performance that most small shareholders crave.

As their name implies, both were amalgamations of several land and mortgage trusts and they now follow an almost identical investment strategy. Alliance and Second Alliance also share the same offices and the same board. There is no overall management company to control marketing and administration, as both tasks are undertaken by the trusts themselves. With Dundonian frugality, this means costs take up only 0.2 per cent of total assets – the lowest of all investment trusts.

Alliance and Second Alliance also have a simple capital structure and a conservative approach towards gearing. This does not appear to have affected performance. According to *Micropal*, Alliance has grown by 395 per cent over the 10 years to the beginning of this month, and Second Alliance by 412 per cent. This places them ninth and fifth respectively in the International General sector. Over five years Alliance is third, with growth of 137 per cent, and Second Alliance fourth on 131 per cent.

They did this with a reassuringly broad geographical spread of investments. According to Lyndon Bolton, managing director of both trusts, the present asset allocation of Alliance includes 56 per cent in the UK, 9 per cent in the rest of Europe, 31 per cent in North America, only 1 per cent in Japan and 4 per cent elsewhere in the Far East. The cash holding, almost all in foreign currencies, is low at 4 per cent.

This is a high weighting in the UK by historic standards but the trust, true to its origins, also has a strong exposure to North America. The emphasis of the company remains rooted in stock-picking and value investing, with broader asset allocation given lower prominence.

The top 10 investments of Alliance, when last recorded, were split equally between the UK and the US. They were: Shell Transport & Trading, Glaxo Holdings, Wal-Mart Stores (an American retailer), Philip Morris, Rentokil Group, Johnson & Johnson, British Telecom, PepsiCo, British Gas and Merck. Second Alliance's top 10 are similar, the only differences being that BAT Industries and General Electric substitute for PepsiCo and Merck.

Bolton makes no apologies for establishing long-term relationships with companies and making close contacts with their managements. He says: "The people who can do the best job for the shareholders in a general trust or fund are the managers of very good companies. It's our job to try to get some added advantage by using changes in share valuation to add value."

Both trusts remain rooted in Dundee's business community. The weekly board meeting takes place in the company's offices there and all the board members live locally. Many of the private shareholders also live in the Dundee area. Alliance had 22,000 at last count, excluding those who invested only through nominees, via Peps or savings plans. This figure has increased substantially in recent years, mainly due to the trust's strong showing in performance tables.

Bolton, who joined Alliance in 1964, became joint manager in 1978 and sole managing director in 1987. He says Dundee differs from London as an investment centre only in its slower pace of life. As far as he is concerned, the rest of the investment community moved south – Robert Fleming, who was to give his name to London's largest investment trust group, was a Dundee man on the board of one of the companies which merged to become Second Alliance.

The Alliance companies remain true to the guiding principles of investment trusts and have achieved strong investment performance in a range of world markets.

Key Facts. On February 9, Alliance had net assets of £931m and market capitalisation of £850m. Net asset value per share was 1847.5p and the share price was 1687p, making a discount of 8.6 per cent. Second Alliance had a discount of 8.5 per cent. The yield was 3.4 per cent.

Board. Both trusts have the same boards. The executive directors are Bolton (also a director of the TSB Group, General Accident and Scottish Financial Enterprise); Gavin Suggett, an accountant who is deputy managing director; and Alan Young. Sir Robert Smith, the chairman since 1981, is a director of several large Scottish companies including Bank of Scotland, Edinburgh Investment Trust and Standard Life.

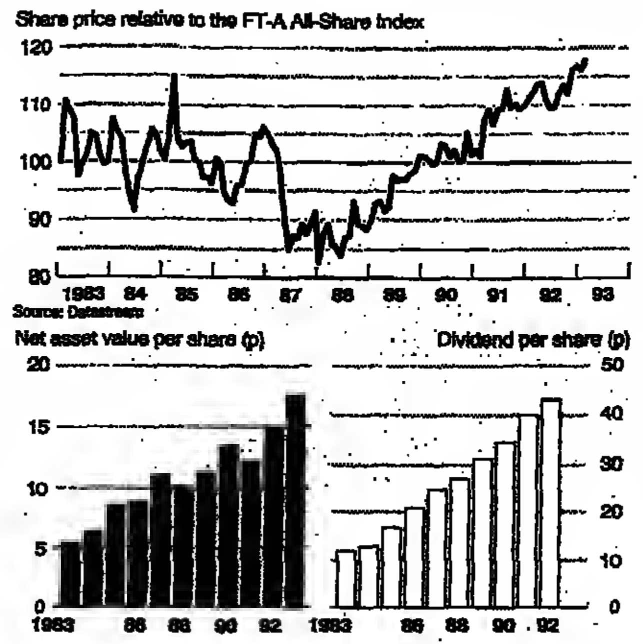
The other directors are Christopher Blake, chairman of the Glenrothes Development Corporation; Sir Douglas Hardie, chairman of Grampian Television and a director of Clydesdale Bank, among other companies; Andrew Thomson, a director of D.C. Thomson; and Bruce Johnston, a director of companies including Mid Wynd International Investment trust.

Savings Scheme and Pep details. A savings scheme allows a monthly minimum purchase of £50. Charges are £1 a month for the normal purchase, plus broker's commission of 0.15 per cent and stamp duty of 0.5 per cent.

Thanks to their high non-European content, neither trust qualifies for the full £6,000 annual Pep allowance – maximum investment per year is, therefore, only £1,500.

The Alliance Pep allows investors to hold other individual equities as well, but fees for investing in the trust element are the same as for the savings scheme.

Alliance Trust



Directors' Transactions

SELLING remains the key to directors' share dealings. This week's trading was notable for the high value of some transactions. Through Imaging Systems, Serge Crasninski sold 2,705,000 shares in Photo-Me International, raising almost £10m. He and Imaging Systems still hold 14 per cent of the company.

At Menvier-Swain, Charles Swain, the non-executive president, sold 2,389,583 shares at 573p. Some 1,251,709 were held beneficially and the sale leaves Swain with no holding. The company also announced it was to seek a full listing and a 1-for-8 rights issue.

The sale of 72,851 shares in Tadpole Technology at 288-290p by H. Kitchener follows a period of strong price performance since the company came to the market at 65p in December 1992.

Last year, the Ashley family announced its intention to reduce its total holding in Laura Ashley from more than 50 per cent to about 30 per cent. Sir Bernard Ashley, the non-executive chairman, sold 10m shares at 78.5p. The family still holds 48 per cent. Directors of Filofax, the personal organiser stationery company, have been acquiring shares regularly since the middle of last year at prices as low as 30p. Three directors, including the finance director, have now bought 1,650,907 at 80p.

Angus MacDonald
Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Ashley (Laura)	Stor	10,000,000	7,850	1
Bass	Brew	12,537	15	1
Berkeley	C&C	8,500	30	1
Border TV	Med	10,000	10	1
Burtonwood Brewery	Brew	150,000	203	1
Diploma	Elns	18,500	75	1
Faber Prest	Misc	20,000	76	1
Grand Metropolitan	Brew	37,000	167	1*
Marks & Spencer	Stor	25,000	83	1
Menvier-Swain	Elcs	1,251,709	7,172	1
Novo	Med	25,000	10	1
Photo-Me Intl	Misc	2,705,000	9,873	1
Prism Intl	H&L	206,000	157	2*
Property Security	Prop	40,000	40	1
PWS Holdings	InsB	500,000	310	1
Queens Moat Houses	H&L	1,100,000	627	1
Queens Moat Hs CCRP	H&L	34,285	43	1
Southern Radio	Med	60,105	35	1
Syltone	EngG	4,000	10	1
Tadpole	Elns	72,851	211	2
Total Systems	BusS	12,500	10	1
Treatt	FdMa	37,000	56	4
Warburg (SG)	Merc	75,000	459	2
Wilson (Connolly)	C&C	11,000	19	1
PURCHASES				
Aberforth Split Lvl	InTr	17,000	22	1
Ass British Eng	Othl	30,314 CP	15	1
CI Group	Metl	75,000	15	2
Cardiff Property	Prop	18,788	17	1
Filofax	PP&P	1,650,907	1,321	3
Govett Oriental	Invl	150,000	290	1
Invesco MIM	OthF	30,000	29	1
Medeva	Hlth	210,000ADRs	$519	1
River Plate & Gnrl	InvT	35,000 Capsh	12	1
Scottish Hydro-Elec.	Elec	5,000	12	1
Sheafbank Prop Tst	Prop	250,000	45	1
Sun Alliance	InsC	4,492	15	1
Trio Hlgs Rights Is	OthF	1,087,500	544	4
Yorkshire Elect	Elec	3,000	14	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 1-5 February 1993.

Source: Directus Ltd, Edinburgh

FINANCE AND THE FAMILY

Welfare goes private

*The government wants to spread the welfare bill. **John Authers** finds out what the private sector can offer*

GOVERNMENT hopes to contract out unemployment and other welfare benefits to the private sector, widely reported last weekend, look unlikely to meet with success.

Private insurers are reluctant to pick up the opportunity. As commercial operations, they scarcely want to shoulder the risk of becoming unemployed when this risk is growing higher than ever.

A spokesman for the Association of British Insurers put it emphatically: "It's a total non-starter."

However, the government's ideas, although they seem too crude at present, fit a worldwide trend. In its global review for 1993, Noble Lowndes, the actuaries, comments on the "privatisation of social security". It said: "Bastions of cradle-to-grave social security systems such as Italy and Sweden have started the process of cost containment and shifting of burdens. Reforms, the classic euphemism for cost cutting and redirecting responsibility, are being implemented everywhere."

The UK does have several routes by which the private sector adds to the welfare protection on offer from the state. Personal and company pensions, which top up the meagre allowance from the state pension, are the best known.

Companies also offer insurance to restore your income both when you are off work sick, and when you are made redundant. These have the potential for growth. But the pressures on both forms of insurance show why the industry is unenthusiastic about the opportunity the government has thrown its way.

■ **Unemployment Insurance**

Standard unemployment benefit stands at £43.10 per week. Those with a dependent adult receive an extra £26.60.

This is nowhere near enough to keep up the payments on an average mortgage. Most redundancy contracts on the market aim only to protect a flow of payments, either on mortgages or on a consumer loan. It is almost impossible to buy unemployment insurance on a "stand-alone" basis as insurers cannot make a profit this way. Redundancy cover is also usually only sold in conjunction with accident and sickness insurance, with one premium for the whole package. Premiums are quoted for every £100 of monthly outgoings which the policy is to protect.

National & Provincial's accident sickness and unemployment policy, underwritten by Guardian Royal Exchange, cbsrges £7.20 per £100 each month, and the benefit cover lasts for two years. You have to be in work for six months before starting the policy.

Accident and sickness cover on their own cost £3.20 per month, suggesting that unemployment costs around £4 per £100. According to N&P the premium was below £5 two years ago, which shows the effect of rising unemployment on premiums.

Demand has grown. In the past two years, the proportion of N&P new borrowers taking out the protection rose from 20 per cent to roughly 33 per cent.

Citibank Mortgage has offered free redundancy insurance, underwritten at Lloyd's, for the last year, and plans to continue doing so. Abbey National also offers free payment protection, including accident and sickness, as an incentive to first-time buyers. For those who wish to pay for it, the premiums have recently been increased from £6 to £6.95 per £100 of monthly sum assured.

The rising premiums give a clue to the industry's opposition to the government's plans. Psul Thompson, of Financial Insurance, one of the UK's biggest unemployment insurance companies, reports a significant worsening in claims experience. Claims on its payment protection package as a whole rose by 54 per cent in 1991, and by a further 40 per cent in 1992. Meanwhile the share of claims caused by unemployment, rather than disability, grew from 20 per cent to 55 per cent.

The length of time for which people have claimed unemployment insurance has also increased, by around 60 per cent, and the company has evidence of increased "moral hazard" or fraudulent claims.

Another problem, pointed out by Gordon Mylchreest, marketing director of Consolidsted Insurance Group, is "anti-selection" – most of the people who take out the cover believe they are st risk of losing their job.

Demand is increasing, and the premiums charged look very reasonable as unemployment approached 3m, but the industry is unlikely to cover against this risk much more than it does at present.

■ **Permanent Health Insurance**

The level of statutory sick pay is enough to make many people feel ill. Those on between £54 and £189.99 per week receive £45.30 per week. Anyone with an income of £190 or more per week will receive £52.50.

This is payable for 28 weeks, after which it could be necessary to apply for sickness or invalidity benefit.

Permanent health insurance, to use the industry jargon for income replacement policies, offers to pay an income indefinitely if someone is too ill to work. The industry norm is not to pay out more than three quarters of the policyholder's previous salary minus the state single person's invalidity benefit, to give an incentive to go back to work.

PHI is available both to individuals and to many company group schemes, with premiums varying according to bow long the policyholder is prepared to wait after becoming unfit for work before receiving benefits.

Again, demand is rising, partly because people have less faith in state benefits than they used to. But, like unemployment insurance, the number of claims and the time for which people claim are also increasing.

This led Allied Dunbar, the market leader in PHI for individuals, to raise premiums. These come into force on Monday, and will vary according to age, sex, occupation, and the amount of time you are prepared to defer benefit. The increases are greater for older ages in higher-risk occupations. A 25-year-old man in a low-risk occupation deferring for six months faces an increase of only 7 per cent, a higher-risk man faces an increase of 29 per cent.

The increases are greater for women. Premiums will rise 100 per cent for a 35-year-old woman in a high-risk occupation deferring for six months.

This does not mean that the insurance is bad value – a 29-year-old man in a low-risk (white collar) job can insure a salary of £25,000 (allowing a PHI pay-out of £15,535) with premiums of £17.88. A woman of the same age would have to pay £23.98 for the same cover.

Alan Tyler, health and group manager of Mercantile & General, the UK's biggest reinsurer for individual PHI, believes Allied Dunbar's action is justified. He said: "When PHI came on the market, the premium rates were just inspired guesswork."

Now that the industry has built up some claims experience, difficulties have emerged. According to M&G, claims from people deferring the benefit for 13 or more weeks have been running 20 to 25 per cent higher than expected since 1985. Claims from those deferring for six months have "deteriorated rapidly", and since 1985 have been 75 per cent above expectation.

M&G's suggestions for change in the market include limiting the benefit payable to two thirds of salary less full state invalidity benefit.

The experience of Swiss Life, which offers a net group PHI scheme, paying an income to employees net of tax and state benefits, suggests that this could work. There is no incentive for employees to stay away from work longer than they have to, and Swiss Life has noticed no increase in claims over the last two years.

Nick Anderton, an actuary with management consultants AKG, said PHI is "the most undersold" product in the life insurance market. The problem for insurers, he said, is that claims depend on work availability. In times of unemployment this makes underwriting more difficult.

One look at the state benefits shows that the industry has a product which many will want to pay for. But the way it has evolved also demonstrates clearly that it would be difficult to withstand a total removal of the state benefits.

FINANCE AND THE FAMILY

How CGT can trap home-owners

Many think their properties are exempt when selling – but that is not always so, says ***Caroline Garnham***

WHILE AN Englishman's home traditionally has been his castle, it might have felt more like a mausoleum in recent years. Some people, unable to sell, have therefore considered other ways of using their property.

You can let all of it and move away, or stay at home and sub-let some. You might even work from home to save the cost of travelling and office space. Doing any of these things could, however, risk the property's exemption from capital gains tax.

Many people assume their home is exempt from the threat of CGT when they sell it, but this is not always the case. Its liability for tax could depend on the amount of time you have spent there and what it was being used for.

Relief is available in proportion to how long you have used the property as your main or only residence. But certain periods of absence – called "permitted absences" – are treated as if you were still living there. For the most part, the way you used your residence during the last 36 months of your ownership is ignored by the Inland Revenue.

This does not mean that you can buy a property, leave it empty for three years, sell it and still get 100 per cent CGT relief. You must have lived there as your main or only residence at some time if the last 36 months are to be ignored. But the exact amount of time is debatable.

Assuming the Revenue accepts that you lived there long enough to qualify for the relief, you can then elect for another property to be treated as your main residence, or even sub-let it during those last 36 months. The relief will still be available in full. But if you have been using part of your house exclusively for business purposes, full relief might not be available although roll-over relief might be.

In addition to the last 36 months, there are three types of "permitted absence" which the Revenue will treat as periods in which you were living in the property – provided that, both before and after your absence, you lived there as your main or only residence:

■ Any period or periods not exceeding three years.

■ Any period, no matter how long, while you are employed abroad.

■ Any period or periods not exceeding four years when you are absent due to your employment.

The Revenue can ignore the rule that you must have used the property as your residence after a period of absence, but only if you were unable to take up residence again due to employment. You cannot, during your permitted absence, have another house on which you hope to claim relief as your main and only residence.

These periods of absence are cumulative. Say Harold leaves 5 Acacia Avenue, in which he has lived as his main residence, to go to Spain for five years. He then returns to the UK to live for two years in rented accommodation, followed by one year in Acacia Avenue as his main residence and two years in another property before selling Acacia Avenue.

Any gain made on the sale would be tax-free. But if Harold had not returned to Acacia Avenue, or had not used it as his main residence, he would have lost the full relief.

You should also be careful that the property is your "residence." If you have a flat in London and a house in the country, but the flat is used by your daughter and your visits there are infrequent, the Revenue might argue that the flat is not, in fact, your residence even though you own it and can stay in it when you want. (In this case, you could consider transferring the flat into the name of your daughter, or into a trust for her, so that the relief can be preserved).

Even if the flat is treated by the Revenue as your "residence," it might not be regarded as your main residence unless you have elected for it to be treated as such, in writing. (Husbands and wives are treated as one so that, if you own one property and your wife owns the other, only one can be your main residence).

You can back-date the election for up to two years. In the Revenue's eyes, this means you must elect within two years of first acquiring two residences – otherwise, the right to do so is lost. In that case, the Revenue can decide which is your main residence, which might not produce the least tax payable. Remember that an election could still be necessary if you live in two properties but own only one.

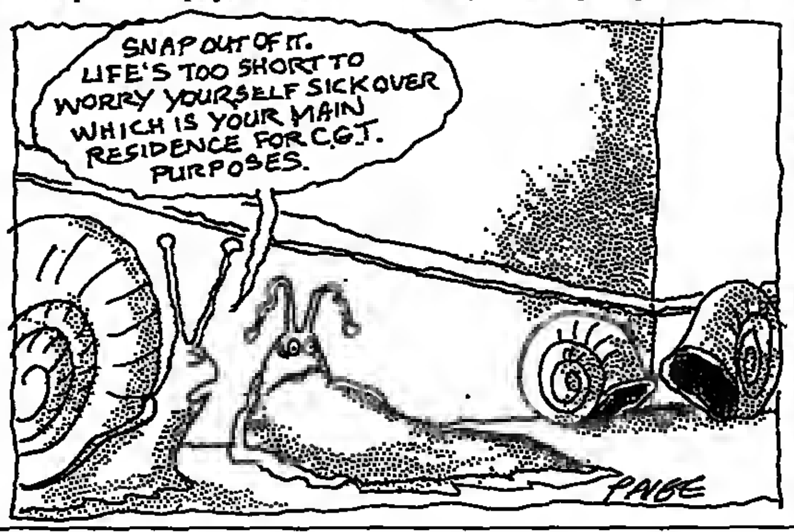
You must also be careful that the whole of your property is treated as your main residence. If you use the basement exclusively as your office, it cannot be said that all the property is being used as your main residence; thus, the relief will be apportioned according to the amount of space actually used for residential purposes.

When you sub-let part of your house, it is no longer used as your residence, so the main and only residence exemption will not be available. If the basement was sub-let to a tenant for accommodation, there would be another relief available (so long as you had not let more than half your residence) and depending on the amount of gain made when the property is sold.

The Revenue is also quite lenient if your house is used by lodgers or if areas are occupied by your staff, such as housekeeper or nanny. But you must be careful whose staff they are. If the chauffeur is actually employed by your company, he will not be your staff. And you should also consider if all or part of the garden or grounds will qualify as your residence. The Revenue always allows one hectare, or such larger area of garden and grounds as is needed for "reasonable enjoyment" of the property. This could include woods, a paddock, a tennis court and a swimming pool.

The rules relating to your main or only residence are detailed and fiddly but, with CGT at a maximum rate of 40 per cent, it is certainly worth trying to get it right.

■ *The author is a trusts and tax lawyer with City firm Simmons & Simmons.*



Do pre-nuptial pacts work?

YOU SUGGESTED (Briefcase, January 9) that a correspondent would be advised to draw up an agreement defining respective financial rights in a marriage should anything go wrong. I was under the impression that such "pre-nuptial" agreements (as they are called in the US) are not enforceable in the UK and, while there is nothing illegal about them, they are simply of no use if either party wishes to contest matters. I would appreciate your confirmation that such agreements do, in fact, work.

You also say they cannot cover the rights of children. If the answer to my general question is "yes," does this mean that any such agreement could still be valid as to financial arrangements between parents, with separate ones having to be made for the children when a marriage dissolves? Or does the mere presence of children invalidate the entire matter?

■ We concur that agreements entered into by the parties before, or during, a marriage are not enforceable in such a way as to oust the jurisdiction of the court to make a property adjustment order on divorce; indeed, the court can set aside any actual disposal under an avoidance of disposal order. However, there is still a purpose in entering into a contract such as we suggested because it is evidence of what the parties wanted to happen, and of their having addressed their minds to the question, at a time when their attitudes were not affected by the matters which will have led to the divorce. It is also not necessarily the case that the court will interfere with the parties' prior arrangements.

Cottage for sale

I AM A JOINT tenant with my mother in ownership of a bungalow, although I do not live there. She is now in residential care and I have power of attorney for her affairs. To obtain income support allowance for her, the DSS informed me the bungalow must be put up for sale, and it has been. But can they force me to do this?

My solicitor thinks it would be difficult for me to buy her out; is this so? If I can, what equitable arrangement for valuation would be acceptable to the DSS, and would it affect the present allowances?

■ The DSS cannot force you to sell the bungalow but they can, and will, assess your mother's needs on the footing that she has available capital to the extent of her half-share in the property – so the result is likely to be much the same.

It is not too difficult to buy out your mother's share, but certain safeguards are necessary as you are a trustee purchasing from your beneficiary. The principal requirement is that you obtain a proper valuation assessing the value of the property in the open market, so that you can show that the price you are paying is a proper price and not detrimental to your mother's interests.

It would be wise to inform the DSS that you are proposing to buy your mother's interest at that valuation, provide them with a copy, and invite them to agree the value or to appoint a valuer of their own if they do not accept the valuation.

Double protection

FROM TIME to time, *Financial Times* articles refer to the scheme that guarantees 90 per cent of the first £20,000 invested in a building society. Does this mean that a married couple are protected if they have £40,000 in a joint account, or do they need to have separate accounts each of £20,000?

■ The protection to which you refer derives from section 27 of the Building Societies Act 1986. The protection for 90 per cent of (currently) £20,000 is applied to joint accounts in the manner provided in the sixth schedule to the 1986 act. Where the joint account is held for two or more beneficiaries who are not in partnership, they are treated as if each held a separate account, so that the protection for two such joint depositors would be up to 90 per cent of £40,000.

No need to pay

I AM A SINGLE British subject, born in 1947, resident in Italy since 1969 and working at the United Nations in Rome. As a UN staff member, I am not liable for British tax. Medical problems mean I will have to return to the UK eventually, so I am contemplating buying a small flat/house there.

How will my tax status change once I become a house-owner in the UK while still resident in Rome? I have National Savings and a building society account which earn gross interest, and I also pay Class 3 contributions to the National Pension Fund.

■ For as long as you are working full-time in Italy, your status will not change and you will continue to escape UK tax on your National Savings and building society interest by virtue of extra-statutory concession B13: "Where for any year of assessment, for the whole of which she is regarded as being not resident in the UK, a person receives interest (eg bank or building society interest) without deduction of income tax... no action is taken to pursue her liability to income tax except so far as it can be recovered by set-off in a claim for relief... in respect of... income from UK sources..."

Write to the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB, for copies of the free booklets IR1 (Extra-statutory concessions) and IR20 (Residents and non-residents: liability to tax in the UK).

Tunnel vision

LIKE MANY other people, I was an original subscriber for Eurotunnel units and warrants in December 1987. In return for the lump sum which I then subscribed, I was allotted a holding of units and a holding of warrants. The warrants lapsed in November 1992, of course, but I continue to hold the units.

I know I can set the cost of the warrants against other investment gains for the purposes of capital gains tax, but I have no idea how much of the original lump sum was attributable to the units and how much to the warrants. How can I work this out?

■ Of the £3.50 which you paid for each unit with warrant attached, £3.3555992 is attributable to the unit (comprising a Eurotunnel plc share and a Eurotunnel SA share) and the other 14.44008p is attributable to the warrant.

This allowable loss on each warrant is accordingly 14.44008p x 139.7 ÷ 103.3 = 19.52836p. This apportionment is based upon the quarter-up prices on December 10 1987, viz £2.44 for a unit and 10.5p for a warrant.

Ask your tax office for the free pamphlet CGT13 (The indexation allowance for quoted shares).

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/C's and BONDS (Gross)						
Scarborough BS	First Post	0800 590 578	Postal	£250	6.80%	Yly
Northern of England BS	Edinburgh	091 510 0049	Postal	£2,500	7.50%	Yly
				£10,000	7.55%	Yly
Scarborough BS	First Post Plus	0800 590 547	Postal	£50,000	8.05%	Yly
City & Metropolitan BS	Super 90	081 464 0814	90 Day	£25,000	8.00%□	Mly
Newcastle BS	Nova Star VI	081 232 6676	1 Year	£5,000	8.25%	Yly
Chelsea BS	Premier VII	0800 272 505	1.8.95	£10,000	9.25%☆	Yly
TESSAs (Tax Free)						
National Counties BS		0372 742211	5 Year	£3,000	8.75%	Yly
West Bromwich		021 525 7070	5 Year	£150	8.70%	Yly
Tipton & Coseley BS		021 557 2551	5 Year	£1	8.65%	Yly
Britannia BS		0538 399399	5 Year	£8,300	8.00%F	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)						
Caledonian Bank	HICA	031 556 8235	Instant	£1	5.50%	Yly
Citibank	Money Market Plus	0800 555 884	Instant	£2,000	5.75%	Mly
Chelsea BS	Classic Postal	0800 717 515	Instant	£10,000	6.60%	Yly
				£25,000	7.10%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey BS	Woolwich Intl	0481 715735	Instant	£500	6.25%	Yly
Derbyshire (IOM) Ltd	90 Day Notice	0624 663432	90 Day	£10,000	7.25%	Yly
				£25,000	7.80%	Yly
Bristol & West Intl Ltd	Intl Premier	0481 720609	6 Month♠	£50,000	8.60%	Yly
GUARANTEED INCOME BONDS (Net)						
Alico FN		081 680 7153	1 Year	£50,000	5.05%	Yly
Prosperity Life FN		0800 521546	2 Year	£25,000	5.55%	Yly
Consolidated Life FN		081 940 8343	3 Year	£2,000	6.00%	Yly
Consolidated Life FN		081 940 8343	4 Year	£2,000	6.20%	Yly
Laurentian Life FN		0452 371371	5 Year	£50,000	6.60%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	8.25%	Yly
	Income Bonds		3 Month	£2,000	7.00%	Mly
	Capital Bonds G		5 Year	£100	7.75%F	OM
NAT SAVINGS CERTIFICATES (Tax Free)						
	40th Issue		5 Year	£100	5.75%F	OM
	6th Index Linked		5 Year	£100	3.25% + Infln	OM
	Childrens Bond E		5 Year	£25	7.85%F	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond. ☆ = Rate fixed only until 1.7.93. □ = Rate guaranteed until 1.5.93. ♠ = After 6 month qualifying period

Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

Body talk: it's wiser to whisper

1. Varsity Y-back tank top in red. 55 per cent cotton, 35 per cent polyester, 10 per cent Lycra. £27.50. Varsity shorts with black back, £28.50. Both from SWEAT.
2. Aurora 10 cross-trainer by Reebok, £39.99 from Cobra. Socks from pack of three, £3.99, from Cobra.
3. Nike Air Trainer Accel cross trainer, £59.99 from Lillywhites. Socks from pack of three, £5.99, Marks and Spencer.
4. Petrol blue baggy Russell Athletic shorts, drawstring waist with pockets. 95 per cent cotton, 5 per cent polyester, £25.95 from SWEAT. Grey T shirt, £7.99 from Marks and Spencer.
5. Blue and black striped all-in-one by Los Angelas Sporting Club. 55 per cent cotton, 35 per cent polyester, 10 per cent Lycra, £49.99 from Sports Locker.
6. Wide bank sport jock. Cotton band, coolmax pouch, £17.50 from SWEAT.
7. Burgundy Dink 100 per cent cotton sport shorts with pockets and drawstring waist. £34.99. Navy Russell Athletic tank in 100 per cent combed cotton, £15.99.
L.A.S.C. long grey/black cycle shorts in 55 per cent cotton, 35 per cent polyester, 10 per cent Lycra. £32.99. All from Sports Locker.
White classic T-shirt, £9.99 for a pack of two from Marks and Spencer. Neoprene training gloves by Thunderheart, £19.95 from SWEAT.
8. Olive and purple vest by L.A.S.C. in 55 per cent cotton, 35 per cent polyester and 10 per cent Lycra. £24.99 from Sports Locker.
9. Dark grey shorts with black and white elda stripes, £29.99. red and black vest, £24.99. Both from Sports Locker.
10. Yellow and blue stretch shorts by L.A.S.C. cotton end Lycra, £34.95 from SWEAT. Red and black L.A.S.C. shorts with drawstring waist, £34.99 from Sports Locker.
T. Benedit white shorts with blue and white striped front and seat in 90 per cent cotton and 10 per cent Lycra, £29.99 from Sports Locker.

There is life beyond Lycra when it comes to sportswear. ***Christopher Brown*** *illustrates some choices*

TO KEEP young and beautiful is an impossible dream. Staying fit and healthy is far more realistic. Most men know that getting fit is a noble ambition, yet remarkably few have the stamina to sustain the initial challenge.

If you find it intimidating to choose a gym, or one of the many health and fitness centres now springing up, then deciding what to wear on your first visit is even more so. You probably did not notice what those perspiring bodies were actually wearing as you were being choreographed around carefully by a smiling member of staff.

You might have had visions of Chippandale-like bodies – but most gym-goers could be described more truthfully as Biedermeier-like (over-stuffed, with wobbly legs). So do not worry too much about what your body looks like: after all, you have joined to improve it. And besides, gym clothing does not have to be made of tight Lycra.

Do not, however, think that excavating an old rugby shirt or ancient pair of tennis shorts from your wardrobe will do. Gyms are about working up a sweat, but arriving in clothes that look as if they have been preserved in it will not improve your gym cred rating.

Avoid the all-white look – you might be a gym virgin but do not advertise it. Besides, white has a tendency to make you look like an overgrown schoolboy on sports day as you sit, cross-legged, waiting for your first aerobics class. You will also soon discover that all those shiny neon colours are no longer popular.

One item worth investing in is a pair of decent training shoes – cross trainers being ideal. The newly-redecorated Lillywhites at London's Piccadilly Circus boasts the largest selection, but the choice is overwhelming and slightly confusing.

I found that Cobra, with its 42 shops across the UK, offered a more-than-comprehensive selection, with friendly and constructive advice. As a bonus, you could also pick up a pack of three sports socks for £3.99.

With sports clothing increasingly making the cross-over to casual wear, the big "trend" names are Champion, Russell Athletic and Nike. Champion now has a store in London's Oxford Street, but you do not need to shop along that venue of hell – there are otbar options.

In the relative calm of Covent Garden's Floral Street, and Notting Hill Gate's Pembridge Road, can be found the two branches of Sports Locker, perhaps one of the best sportswear shops in London. In spite of its size, its carefully-chosen and co-ordinated stock would shame a larger store, selling not only the better-known names but also its own brand.

If, howaver, you have a phohia about shops and shopping, then do not despair – you can do it from home. The new Next mail order catalogue has four pages of NX sports wear (the grey cotton marl shorts are a bargain at £17.99). Then there is the SWEAT mail order catalogue which, like Sports Locker, offers the best of American and European gym wear. (There is also a shop close to the City of London, with staff who know what they are selling).

Having bought your gear, you now need something in which to carry it. Most men seem to feel they need to get a Head bag, but Cobra is offering a medium-sized black bag carrying its logo for just £19.99. The Head bags are available in various sizes from the reasonable to the ridiculous – the larger ones are roomy enough for a cricket team, let alone one man's kit.

As the gym virgin becomes experienced, his confidence grows and his girth decreases and he tends to cast aside the basic gym attire and becomes bolder – greys are replaced by colour and there might come the tima when he appears in a striped all-in-one.

The etiquette of gym wear varies from club to club. In some, there is a preference for wearing the T-shirt outside the shorts; in others, it is *de rigueur* to tuck it in.

Whatever you choose to wear, the main criterion is to feel comfortable – there is, after all, something to suit everyone's body.

■ *Next Directory: 0345-100-500; SWEAT: 75b Great Eastern Street, London EC2A 3AU, mail order inquiries 071-613-1776. Sports Locker: 17 Floral Street, London WC2, 071-240 4929, and 53 Pembridge Road, London W11, 071-221 9166.*

Cobra: head office for details of their 42 branches, 081-847-4840; Champion Sport: 172 Oxford Street, London W1, 071-637-0903; Olympus Sport: 301 Oxford Street, London W1, 071-409-2619; Lillywhites, Piccadilly, London W1, 071-915-4000.

Undercover revolutions

Lucia van der Post *watches a new world of knickers taking shape*

SOMETHING strange has been happening to underwear. I knew something was up when it became hard to find a simple pair of white cotton knickers, and when choosing a pair of tights meant embracing a whole new vocabulary.

Not that this has all happened overnight, ynu understand. Having thrown away our suspender belts and wired bras in the 1960s and taken up the new girdleless tights to make our mini-skirts look half-way decent, wnmen at last knew what it felt like to walk about unconstrained. As the cheesecloth shirts and flowery skirts took over from the mini, hreasts drooped and hottoms wobbled – but nobody seemed to mind. It was quite a while before any manufacturer dared again to suggest that the female figure in its natural form needed a helping hand.

They started innocently enough – adding a little Lycra here and there, transfnrming tights into the fashion accessory of the age, making cling and fit the watchwords and leaving the wrinkle as obsolete as the horse-drawn carriage.

Then along came the cling kings, the Azeddine Alaïas and the Donna Karans, with their figure-hugging, curve-revealing, high fashion statemants and the power suits adapted to flatter aerobics-honed limbs. What had once wobbled merrily under cheesecloth began to look uncontrolled and – dare one say it – just a little uncouth. Control crept back, clothed in glamour, modernised and lightened hy Lycra and newer technology and masquerading under a new word: "Contouring" – so much more 90s, so much less restricting. But the message was the same: bulges are bad, hulges must be banished.

Which is why these days when you walk through Marks & Spencer, or Harvey Nichols, or any other up-to-the-minute underwear or hosiery department, you are spoiled for choice. Simple decisions thet used to seem taxing enough – like what colour matches and how sheer should you go – have gone forever.

Today diversity is all. Body toners and Body shapers, Control Tights and Thigh Slimmers, Control Briefs and Body Slimmers...there isn't a bulge or a hlemish that somebody has not catered for. No longer need you sweat and toil in the gym or cut down on calories. As Cathy Volker, vice-president at Hanes, which markets Donna Karan's Body Toner hosiery, puts it: "It's just 60 seconds to firmer thighs."

Shaping up with an Aristoc Bodytoner

First of the new breed was the "body" – no, not the type associated with the mortician's trolley, but an all-in-one garment which fastens below the crotch, flattening out bulges, giving a smooth line from hust to waist and doing away with what in hosiery-land is called "the panty line."

Bodies came in all shapes, sizes and colours, plain, matt and serviceahle, as wall as saucy as any Edwardian teddy. Even though many of us never wore them, they softened us np for the next step – the Slim Slip, hrainchild of what was once the oldest, most fuddy-duddy of corsetières, Rigby & Peliar. A combination of knickers, slip and girdle, all wrapped up in nne garment that sold for £26.50, it was a wow – it cut out the fuss and trimmed the line.

From then on it was no holds herred. Today, nn hosiary department wnrth tts Lycra could keep tha tills ringing without a control and contouring selection.

This new generatinn of bulge-beaters looks quite different from the old. Where once ynn had the girdle – stiff, restricting, boned – today you heve what looks more like a pair of tights attached to some support knickers. The knickers come either standard shape (to control the stomach and bottom) or short-line (to control tha top of the thigh as well) or long-line (to control further down the leg to mid-thigh). They come with cotton gussets, which means they can be worn without extra knickers, and cost just £2.99. At M & S the tights part still tends towards the sheer hut opaques will appear next autumn.

Aristoc's Bodytoners at £3.99 work on much the same principle – there is a light contouring Lycra top (lnng-line or shnrt-line, smnothing over stomach, hips and thighs) but the attached tights come sheer, semi-sheer or opaque in all the fashionahle colours: plum, mocha, bottle green, as well, of course, as the essential hlack.

Market research is a wonderful thing – how else would we know that London women buy Bndytoners to smcoth away their humps and bulges, while good, practical Yorkshire women huy tham because it means they do nnt have to wear knickers as well?

But the trend has nnly just begun – already a whole raft of new wheezes is in the pipeline. At Marks & Spencer you could move seamlessly from hosiery to underwear and find "Thighslimmers" – long-line controlling garments in satin and lacy Lycra (£9.99) as well as a satin boxer short number (£7.99), all promising to flatten the stomach and upper thigh.

You could go for Bodyslimmers at £25 ("the body for people with less than perfect bodies"), all undar-wired with medium-control corsetry fabric and fancy axtras such as detachable suspenders and halter-neck bra straps and strapless support. Fnr £6.99 yon could get Second Skin, the M & S version of an up-market, hot-selling light control brief with double front panels that holds the stomach in check (£6.99), while for £9.99 there is a sassy suspender belt which seems to perform miracles – it flattens the stomach, slims the hips and holds your stockings up for free.

The choice, as you can see, is rich, intricate, bewildering. It's only if you are after a pair of plain white cotton knickers thet you may have trouble.

Soccer / Peter Berlin

Big boys must not cry

THERE HAS been some sniggering. The first season of the Football Association's Premier League has been accompanied by a strident advertising campaign by BSkyB, its television paymaster, proclaiming: "A whole new ball game."

Even those who are busy banking BSkyB's cash have found it difficult not to smirk. Robert Chase, chairman of Norwich City, said: "They are the same teams as in last season's First Division, playing each other on the same pitches with the same players and watched by the same people. The only difference the average supporter on the terraces would notice is that the referee's shirt is a different colour."

But there is a difference. The league table tells the tale. The lead has changed hands 15 times this season, Norwich themselves are a close third after two-thirds of the season. Just below them are other surprise contenders Coventry City and Ipswich Town.

If the top three keep collecting points at the same rate they have over the first 28 games, the champions will finish with about 76 points. This would equal Arsenal's total in 1989, the lowest since the change to three points for a win in 1982 and Arsenal played only 38 games.

The top half of the Premier League contains only one championship winner from the last 24 seasons – Aston Villa, who won the league in 1981. The old order has changed and the redistribution of television wealth, which was the main plank of BSkyB's bid for the Premier League contract, has a lot to do with it.

Arsenal, Liverpool and Everton are struggling below midway and Nottingham Forest are bottom. The table is topsy-turvy. This sort of volatile, tightly-packed league race was for many years the norm in the first division. Only after 1968 did the competition become increasingly limited to just a few big clubs. This period began and ended with Leeds United as champions – but it is, of course, the Liverpool era.

In almost any ten-year period between 1919-20, when the first division settled at 22 clubs, and 1968, the average number of points gained by the champions was, at most, 58 – 16 ahead of the average club. The only blip was between 1957 and 1961, when the general standard was mediocre and a series of outstanding teams turned the championship race into a procession. In 1956-57, Manchester United's Busby Babes won their last championship with 64 points. The next year, Wolves also gained 64. In 1960-61, Spurs totalled 66.

In 1969 the pattern changed. Leeds set a record of 67 points. The next 24 championships were shared by just seven clubs. Liverpool won 11, Arsenal, Leeds and Everton three each. In that time the champions averaged just over 60 points – the gap between the top teams and the rest had widened. Three points for a win did not discourage draws. These peaked in years when the chances of relegation grew: in 1973-4, when the number of relegation places rose, and in 1987-8, when the play-offs were introduced.

The rich clubs were getting richer and richer and those with astute managers – Bob Paisley at Liverpool, George Graham at Arsenal and Howard Kendall at Everton – used their financial muscle to overpower the competition.

One source of increased revenue was Europe. When Liverpool won their first European Cup in 1977 they did so with the squad so astutely collected by Bill Shankly. A year later they won again with three 1977 purchases: Kenny Dalglish, bought for a British record fee, Graeme Souness and Alan Hansen. The pattern of the next 15 years was set.

The financial inequality increased in 1983. That year brought the first large television contract. It was worth £5.2m for two years, peanuts by today's standards, but, as with all the subsequent ITV contracts, the bulk of the cash went to the five or six clubs which could attract the biggest TV audiences. It was also the year that the big clubs persuaded the Football League to allow home teams to keep gate receipts rather than share them with the away team.

Even the European ban could not erode the big boys' advantage. The ten championships after those reforms were shared by Everton, Arsenal and Liverpool. They won their titles with a quality of play that has not been seen this season. But, off the pitch, English soccer became a sour and unpleasant game. A cheque-book madness crept in. It reached its apogee in 1991 when Liverpool paid £2.9m for Dean Saunders – a player they did not need and who did not fit their style – simply, it seemed, to stop him joining one of their rivals.

> 'When new stands at Highbury, Anfield and Old Trafford are completed, power will tip back to the big clubs'

There were seemingly endless wrangles between the clubs over the growing pot of television and sponsorship money. The break-up of the old Football League last season was the inevitable, disillusioning result of all this. But at least it has brought a temporary rebalancing of power.

The changes have been wrought by BSkyB and also by the Taylor report on safety. Every Premier League ground must be all-seater by the 1994-5 season. Converting stadia costs money. For the big clubs with big stadia it is disproportionally more expensive. Turning terracing into seats involves a loss of between a third and a half of capacity.

For medium-sized teams with lots of empty terracing this is not a problem. They can refurbish. Clubs drawing near-capacity crowds must rebuild to seat all their fans. The maximum Football Trust grant of £2m goes a long way at Norwich or Ipswich. It is a spit in the ocean at Anfield or Highbury. Ipswich and Norwich, the two clubs closest to meeting the requirements, lie third and fourth in the table. Arsenal are 12th and Liverpool 13th. One sign that the big clubs are feeling the pinch is the moribund transfer market. In November, for example, total spending was half what it was in the same period a year earlier. The bulk of activity this season has come from Blackburn Rovers and Derby County, which are spending not revenue but the private fortunes of their owners.

When the new stands at Highbury, Anfield and Old Trafford are completed, with executive boxes, banqueting suites and expensive seats, the balance of power will tip back. But for now there is the prospect of an old-fashioned title scramble to look forward to.

The favourites are the wealthiest of them all, Manchester United, who are rebuilding Old Trafford but still have a little cash to spare. Over the last 25 years they have provided a healthy antidote to the worst excesses of the Liverpool era. They spent more money than anyone else in an increasingly dour, desperate and vain pursuit of the title, but providing a healthy reminder that there is more to soccer than cash.

This year United have been relatively restrained in the marketplace. Their one purchase was Eric Cantona for a modest £1m. He has helped the Alex Ferguson's obrasive team rediscover the joy of football. If United win the title for the first time since 1967 it really would begin a new era.

Grounds for celebration: Chris Kiwomya of Ipswich celebrates a goal in front of the Old Trafford scaffolding

Golf

On course in Florida

SHOULD YOU meet Chris Blackman, an American, who is a bit of a bandit off his handicap of 12, you could ask him what it was like to be at school with Paddy Ashdown, the Liberal Democrat leader.

"Paddy was a handful" Blackman recalled. "I used to keep him under control by flicking a wet towel with a knot in it at him. I found that kept him in line."

Or you could ask Blackman about the collapse of the Savings & Loans institutions in the US. This financial crisis affected many golf-based properties such as Lake Nona, the resort on the outskirts of Orlando, Florida, which Sunleys, the British building company, started constructing in the early 1980s.

But whereas the Sunleys experienced considerable financial turbulence at Lake Nona as a result of the S&L crisis, Blackman benefited from it. He and his associates bought Grand Harbor, a resort 85 miles north of Palm Beach, for a song from the Resolution Trust Corporation, the federal government body set up to bail out casualties of the S&L collapse. When Grand Harbor got into difficulties after the New Jersey Savings and Loan lent \$125m (£83m) for its development and, perhaps as a consequence, went bust, Blackman and his associates bid \$34m for the project.

Florida has dozens of large resorts, many of them on the east coast where they are warmed by the Gulf Stream.

Grand Harbor, which is in a small town called Vero Beach, 100 miles south of Orlando, is different from many in that it offers a 144-berth marina and a beach club as well as two golf courses, one designed by Pete Dye, the other by Joe Lee. To pay for all this, they offer for sale or rent hundreds of apartments, villas and town houses dotted around the 900-acre site.

Vero Beach is best known as the pre-season home of the Los Angeles Dodgers baseball team. It is a small community of fewer than 10,000 that sprang up originally because the railway and US1, the main north-south road, passed through. Citrus grows in abundance. Like many places in Florida, Vero Beach tends to be populated by the elderly who have moved south for their retirement. They are known, not very flatteringly, as VND, very near death.

What marks out Grand Harbor is a run of four holes, the 12th, 13th, 14th and 15th on its River Course, that are the equal of any four successive holes anywhere in the US. They grabbed my attention because they are so unlike the conventional Florida golf hole. They look superb, thanks to the imaginative use of the protected wetlands, and are demanding to play. The 14th is one of the best holes I have played, requiring length, accuracy and nerve to cover its 550 yards. It is the only par five hole on which I have had to lay up with my second shot.

Anyone who plays these four holes without losing a ball or in level par is either a touring professional or playing better than he knows how.

After tangling with this course, I had to pay \$20 to Blackman who had played well below his handicap. As he pocketed my money, he impressed on me the advantages of buying a property at Grand Harbor.

"The climate's great" he said. "The Gulf Stream is only one mile off shore, compared with nine miles at Palm Beach and 60 at Jacksonville, which is why it is so warm here. And real estate in Florida has rocketed in value. As Willie Nelson says in that song, they don't make land any more, so it will appreciate. A property worth \$15,000 20 years ago would now be worth \$700,000."

***John Hopkins** visits two resorts which were almost destroyed by debt*

The Sunleys project at Lake Nona is a very British venture. Mike Hughesdon, a past captain of Sunningdale, seemed to win every club competition in the first few years. Denis Thatcher and former minister Lord Young were in at the birth of the club. The professionalis Gregor Jamieson, whose father Bob has been pro at the Turnberry hotel since before the flood.

"The appeal of our golf club is that it is an understated decent sort of establishment" said James Sunley, a director of the family company. "It is not like walking in to a rather over-tha-top American golf club."

Golf Magazine ranks the 18 holes designed by Tom Fazio at Lake Nona as the 37th best course in the US. They skirt the lakes that dominate this property and wind through stands of pines where white tail deer and red fox roam. David Leadbetter, the renowned golf teacher, has his school at Lake Nona.

Lake Nona was thrown into confusion late in 1989 when the Gibraltar Savings & Loan Association went bust.

"We were into a desperate period trying to renegotiate a loan while at the same time wondering whether we were throwing good money after bad," said Sunley. "Eventually, we concluded a refinancing deal in August in 1992 and we're going flat-out again."

The World Cup, the two-man team event, will be held at Lake Nona in November.

■ *For more information about Grand Harbor and Lake Nona, telephone Hugh Roberts on 0223-840680.*

On firm ground: Duncan Macdonald records bird song in Norfolk. His hobby has become a thriving business

Ashley Ashwood

In tune with nature

Gareth Hugh Davies meets a man who ensures the call of the wild can be heard loud and clear

DUNCAN Macdonald, a vet and keen ornithologist, has created an immediately successful business out of his hobby. He runs Wildsounds, Britain's biggest mail order company for recorded bird song, from his home, at the birdwatcher's Mecca on the north Norfolk coast.

His is an unlikely, pain-free story for a recession. First, Macdonald launched his business without recourse to his bank manager, financing it entirely out of his salary and the cash flow it generated. Then he went on quickly to achieve the sort of sales figures most small businessmen can only dream about in these grim days.

In just 22 months, Macdonald has sold 2,000 of his sets of compact disc recordings of the birds of Britain and Europe at £50 each. In his first full year of trading, he showed a 25 per cent profit on turnover; he expects to do even better in the current year.

Macdonald had the good fortune, as a dissatisfied consumer, to happen upon a vacant market niche waiting to be exploited. As bird watching took him to more exotic and remote destinations overseas, he turned increasingly to the tape recorder as an aid to identifying birds. But tapes were hard to find. To obtain bird sounds for a trip to Venezuela, for example, Macdonald had to write to a small company in the US. The rigmarole of international money orders almost doubled the price of the tapes.

So he researched the market in bird sounds and put together the first comprehensive catalogue of all the available recordings, worldwide. Then he bought some stock and took it to the 1990 Bird Fair at Rutland Water, where he set up a table and tentatively launched Bird Recording Services. He sold out within six hours on the first day of the three-day fair.

One of the suppliers Macdonald had contacted was Jean Roch, by general agreement the world's leading commercial bird-sound recorder. Roch invited Macdonald to his studios near Grenoble and offered him exclusive distribution rights in the English-speaking world. That visit gave the business (by now renamed Wildsounds) instant lift-off.

For more than a year, Macdonald had the CD bird-sound market to himself in Britain. One of his mainstays was the four-CD set of European birds Roch had just released. Wildsounds's sales of the set have been phenomenal: in the whole of the rest of Europe, where there is less interest in bird watching, Roch has sold fewer than 500 sets.

Macdonald grew up and trained as a vet in South Africa, coming to Britain in 1986. When he started Wildsounds, he was working as a locum vet in east London, processing orders from two rooms on the practice's premises during slack periods.

With orders flooding in, he resigned his post and moved to his brother's house. His brother ran the business during Macdonald's bird-watching trips and his sister-in-law worked full-time packing and processing. Last summer, as Wildsounds outgrew those premises, Macdonald moved the operation to a house at Salthouse in Norfolk. He employs three people part-time.

His start-up costs were small. He bought two computers, on which he generates the catalogue and literature that accompanies the tapes and CDs. In keeping with the conservationist philosophy which permeates his business – he sends out most of his orders in recycled packaging – he fitted out his office with second-hand chairs, tables and filing cabinets for about £60. His biggest spending is in stock – he buys large quantities in order to take maximum advantage of discounts and can hold as much as £20,000 worth of CDs and tapes at a time.

He has managed to run the business largely on cash flow "by balancing and juggling funds".

He says: "When I started, Roch would give me 60 days credit. I found I could sell my stock in two or three weeks. It has been running like that ever since."

Only now is he thinking of an overdraft facility to buy up stock and master discs in lines which Roch is discontinuing, to prevent them being sold elsewhere. Setting up offices in his garden is likely to be his first substantial capital expense.

Wildsounds' success is based on the CD, which, with its instant access and high clarity, has revolutionised the identification of bird song and calls. When a bird sings in the garden, the listener can now rush to the CD programme a few possible tracks and identify the bird before it flies away.

"With a tape, you wound backwards and forwards, got lost and confused and then forgot the sound you heard in the first place," said Macdonald.

His customers range from dedicated ornithologists, who use portable CDs to attract and locate birds in the field, to the general birdwatcher who wants to identify birds seen from the kitchen window.

He offers two "satisfied customer" stories. Late one night in August, his solicitor heard swans flying over his house. He ran to the CD to check his hunch. It gave aural confirmation that they were Bewick's swans, one of the earliest sightings in Britain of this winter visitor.

A group of Scottish bird watchers had been playing recordings to stimulate the elusive water rail to call from a reed bed, in order to assess its numbers, by playing its sound from a tape recorder. Fewer than 30 birds responded. When they switched to a portable CD player, which can be played very loud with little or no distortion or background noise, the number of water rails heard calling increased to 147.

Macdonald admitted he was unprepared for the rapid growth of Wildsounds. "We missed out walking and went straight into flying," he said. But until the last few months, he has hardly felt the effects of the recession.

One problem inherent to Macdonald's business is the small number of titles. Macdonald offers about 200. He has added many recordings of bird sounds from specific locations, and has moved into the sounds of other creatures, including whales and frogs, as well as soundscapes of particular wildernesses. (One customer told him his perfect experience was reclining in the bath listening to the creatures of the rain forest on CD.)

When he takes on extra staff at Salthouse, he plans to prepare some of his own recordings from his world trips for commercial release. They have remained untouched while he has been running Wildsounds.

Then he wants to re-edit some of Roch's work, and co-produce some new lines for the UK market. To test the demand for the latest technology, he has just put out the world's first mini-disc recording of birds entitled *Our Favourite Garden Birds*.

Was it wise to make a business out of a hobby? (Ironically the business has grown to such an extent that he now has no free time to pursue the very hobby which spawned it.) He admits he has had to learn fast, for instance in obtaining redress for spoilt adverts.

One problem remains. He has not found a way to make some radio stations pay for broadcasting recorded bird sound. "Exactly the same rules apply as govern broadcast music. They would not dare do it to Madonna," he says.

■ *Wildsounds, PO Box 9, Holt, Norfolk NR25 7AW 0263-741100 (telephone and fax).*

My first taste of an Apple

David Carter finds that there is an accounting alternative to PC

"DEAR Mr Carter, I have read your column for several months with interest. You have constantly been selling the Apple "Macintosh" philosophy, but don't seem to appreciate the fact. I think it is about time you were indoctrinated. Why don't you come round to our offices and bring yourself up to date?"

THE cheeky fellow who sent this letter turned out to be one John Byrom, a Macintosh dealer. But really, what else would one expect from these Apple people? Throughout the world the IBM-compatible PC is standard, but there remains that group of Apple users – "creative" types, juveniles, people in advertising, people who wear bow ties – in short, people who are not entirely *serious*.

I would be the first to admit that there is a need for computers to design advertisements or produce Sunday colour supplements, and I am sure that the Macintosh does this sort of thing extremely well, but if you are talking about *real* computing, about number-crunching, about using a computer to manage your whole business, well, I believe that a PC is the machine to get.

I am a broad-minded fellow and his office happened to be just next door to a client of mine, so I agreed to pop in.

Like most PC users I knew next to nothing ehout Macs. However, as I was to learn, Apple dealers have one or two sneaky tricks up their sleeves. The first is always to demonstrate on an impressive 22 inch wide screen.

One irritating restriction of PCs is that the standard 14 in screen can only display 80 columns at a time. Any PC user who has used a spreadsheet to produce an annual budget will know that it is impossible to squeeze all 12 months on to one screen and see the overall picture.

The wide-screen Mac uses a GUI ("graphical user interface") and had no problem displaying all 12 months of an Excel spreadsheet.

The DOS 80 column restriction is also a problem for designers of invoicing and order processing systems. I saw a package called Astra which uses the wider screen to show effortlessly all the information an order clerk might need. In spite of one or two limitations - for example you cannot buy stock in outers and sell in inners - Astra on a 22 inch screen Macintosh is essential viewing for any company looking to install an interactive order processing system such as telesales.

Not bad. I admit I was getting interested. But the real eye opener was an accounts package called "Mind Your Own Business". Quite simply, this is the best accounts package I have seen. As I worked my way through it a host of common design problems were solved with a sophistication and an elegance that had me purring.

MYOB is so sophisticated that you have to keep your wits ahout you. I expressed surprise that the only way I could find to enter a credit note was as a minus invoice. The designers gently set me to rights. MYOB has an "auto-reverse facility" for any transaction. You do not have to key in credit notes at all; you simply call up onto the screen the invoice you want to cancel, apply auto-reverse, and hey presto, MYOB generates tha credit note for you automatically.

As I was to find, accounts packages on the Mac are generally of a high standard with thair own distinctive "tradition". PC accounts packages tend to be formal and designed for accountants, whereas Mac packages are designed to help the people who are actually running the company.

Cashflow forecasts, proper analysis of purchases, "diaries" which summarise what action you need to take today are common in Mac packages but still unusual in the PC world.

Using the Mac is a pleasure too. Whereas Windows accounts packages often seem painfully slow, the snappy response times of the Mac feel natural and "right".

So are there any drawbacks to the Mac? Yes there are. The central problem affecting all GUI-based accounting packages remains – data entry is awkward and slow. Keying a batch of invoices into a GUI package will take 20 or 30 per cent longer than into a traditional package. Mac developers have tried to alleviate the problem, but really it is up to Apple to redesign their interface so that data entry under a GUI is at least as efficient as under a traditional system. When they have, the GUI will become industry-standard, but until then Mac packages can only be recommended for interactive applications or where the volume of transactions is relatively light.

In most small businesses the volume of transactions usually *is* relatively light, and a professional company which buys, for example, a Macintosh LC II together with Claris Works and Mind Your Own Business, is getting one of the classiest combinations of hardware and software on the market.

So take a bow, John Byrom. You bava more than proved your point. The Macintosh is indeed a serious business contender and some of the most exciting and innovative work in accounting software these days is being done on the Mac. I hope to be reviewing some of it in future columns.

■ *John Byrom's company The Training Department specialises in the installation, training and support of Apple accounting packages. Tel: 071-381-6348 Fax 071-385-1720.*

Who runs fantasy land?

■ Continued from Page I

"Americans are so attuned today to what's making money. The grapevine is all about 'What's the big hit this week?' If you don't make $10m on your opening weekend, you may be finished by the next one."

Director John Landis, who gave a screwball twist to the American dream in comedy hits like *The Blues Brothers* and *Coming To America*, is less convinced about the New Philistinism. He believes audiences can be trusted to discriminate. And he believes there have always been art-resistant bosses: only their style of command has changed.

"Old Hollywood was like the Old South. You had your plantation and the 'Massa' was very much involved in the production of the cotton. People say they made better movies back then. In fact, they made *more* movies, so the odds were better. But what was really different then was that each studio had a style that came down from the man who ran them. Warner's realism; MGM's glitter... Today, what is the difference between the majors? None. They're distribution and marketing companies."

And why have they become that? Historically, Landis argues, because they lost control of their employees after the war: all those in-house writers, directors, actors. In the century's second half, emancipated artists yelled for higher fees; budgets rocketed to today's average of $26m; fewer films were made each year (from 60 a studio to 20 or 30); and the search was on for an art that was industrially dependable, that was "product" – from sequels to star vehicles to those modern-day trade fairs of Special FX like *Terminator 2* and *Batman*.

But all my witnesses to date are established members of Club Hollywood. Each speaks with a career to pursue and a set of interests to protect. So, I knock on the door of someone I have cast as the sardonic Tinseltown outsider: Michael Tolkin, writer of that everyone-is-guilty Hollywood satire, *The Player*. He will no doubt tear into artists and executives, God and Mammon, Hollywood and Tokyo alike.

Tolkin, however, pulls the biggest trick of all. Cast as Thersites, he plays the fair-minded sceptic. He thinks that, beneath the cosmetic changes, the US film business is The Same As It Has Always Been. The studios' names have not changed, nor has their mentality.

He says: "The best movies have always been made by people who sneak in through the door: a John Ford or Martin Scorsese who makes one film for the studios and then one for himself. The people in power want to make profits – nothing's changed. The people on the sound stages want to make movies – nothing has changed. And the people who write about Hollywood know a good story when they can hype one. Out here, we live in the fantasy business. And fantasies don't necessarily stop at the studio exit gate."

Food for thought; but still not, I suspect, the final course. Whatever the adversarial certainties of Daly and Dante, Reiner and Tolkin, the truth about Hollywood today will not be known fully until tomorrow. By then, we shall know if Beverly Hills has become twin city with Osaka; if the average movie budget has blown up to $100m or burst like a balloon; and if sequel-mania and "product" fetishism have steamrollered the last creative fold out of a once glorious industry.

Like Tolkin, I believe that Hollywood will always be Hollywood. But, like everyone else, I am crossing my fingers, scanning the tea leaves and praying to St Cecil B. DeMille – or anyone else Up There who can help...

In search of wild beasts and probably wild mushrooms, too: Members of the Jagdgesellschaft Kutzenkopf assemble near Liestal, Baselland. Just one of the illustrations from Sue Style's A Taste of Switzerland

The great autumn mushroom hunt

Nicholas Woodsworth enjoys eating game and finding one of the prizes of the forest, the steinpilz, in the Bernese Oberland, where old customs die hard

BAD WEATHER, as every alpine mountaineer knows, can come out of the blue with astonishing speed. I am not a mountaineer, and when on a crisp autumn morning I looked out of the window and saw the Eiger, Monch and Jungfrau rearing brilliant white against a clear sky I set off without so much as an umbrella or a moment's thought.

Set in some of the most dramatic mountain scenery in Europe, the Bernese Oberland is a renowned tourist destination – restaurants and hotels here have been providing polished Swiss hospitality to foreign visitors for more than 150 years.

But Oberlanders are not just members of a cosmopolitan service industry – like mountain people everywhere, they remain strongly attached to old customs and to the land. Leave the sophisticated resort towns behind, get just a few yards off the beaten track, and you can find yourself led into a world of mountain traditions as old as man's instinct for hunting and gathering.

I was, and I blame it on mushrooms. I had set off for the narrow, steeply sloping valley of the Lauterbrunnen, a spectacular place of cliffs and dark pine forests, high, thin waterfalls and jagged peaks, for a closer look at the looming 11,000 foot Jungfrau.

But when I discovered a few buttons of exotic-looking wild mushrooms sitting in the fine spray at the foot of a waterfall, and then, a minute or two later, more mushrooms poking their delicate caps and gills out of the damp soil at the forest's edge, I forgot about the Jungfrau. I am not a mushroom expert, but always find the hunt for these strange fungi enticing. For the next few hours I wandered along paths with my eyes set not on the great wonders above, but searching for smaller wonders below.

There were many sorts; brown, grey, white and yellow ones, some smooth and round, other crinkly and angular. Some I thought I knew, others I had never seen before. All went into my day pack. I was not planning to sauté and wolf down the lot, but like berry picking or clam digging, mushroom hunting fast becomes compulsive.

By the time I heard the angry growling of mountain thunder above and looked up to see the peaks obscured in black cloud it was too late; not even the fastest dash down the valley could save me. In a few minutes I was soaked through, and the delicate mushrooms, liberally doused and jogged up and down on my back, had become a soggy mess.

In the end, though, I was not disappointed. When I returned to the village of Wilderswil and told Fritz Zurschmeide, my host at the Hotel Bären, of my misadventure, he laughed and said I should not worry. I was not the only one whose head was turned by nature's offerings – every autumn half of Switzerland disappears into the hills to return with all manner of wild plant and beast. Nor do these hunter-gatherers hoard their gains to themselves: like restaurants throughout the country, the Bären each year offers the best of this wild fare, to locals and visitors, on their *Jagdwild*, or hunting menu.

It was not long before I was dried, changed and installed in the Bären's simple white-pine-panelled dining room. At hand to ward off the effects of my afternoon soaking was a glass of Appenzeller schnapps, aromatic with the alpine herbs and roots that give it its dark brown colour. It is much favoured by both mountain hunters and those who sit down to enjoy the results of the hunter's efforts.

Also at hand was a steaming bowl of fine game consommé made of a stock of chamois, the horned alpine antelope, and delicately flavoured with one of the most prized of forest mushrooms, the *steinpilz*. I was just as lucky, Fritz told me as I savoured it, that I had lost my cargo of mushrooms; they had not been checked by the local *pilzkontrolle*, or mushroom examiner.

The Swiss, I found out, are just as meticulous and careful about mushrooms as about everything else in life. In each village in Switzerland, said Fritz, there is a qualified specialist whose duty it is to certify the safety of the mushrooms picked in the surrounding area.

With an activity as popular and competitive as mushroom gathering – there are individual quotas and spot checks by foresters to give everyone a chance – enthusiastic pickers can sometimes make mistakes.

Was I likely to turn green and keel over in agony after my consommé? Hardly – to qualify for their post, village mushroom examiners must themselves be examined, and be able to identify 70 different fungi varieties in less than 20 minutes. One mistake and chances for the job vanish like toadstools in the morning sun.

It is not only the *pilzkontrolle* that is busy in the Alps in the autumn. All Wilderswil, it seems, abandons regular work. Most villagers are part-time farmers, and fill in the rest of the year as ski instructors and lift attendants, alpine guides or employees on the miniature mountain railway that runs nearby. But for a few days in September and October older, deeper instincts take over – villagers drop whatever pacific task they are at and take to their guns.

How, I asked Franz as, one after another, a series of exotic game dishes appeared and disappeared from the table, can such a rich fare be offered year after year? There was game terrine served with pear sauce and tart, fresh cranberries taken from mountain bogs 4,000 feet up. There was home-made ravioli filled with minced stag meat followed by jugged chamois marinated in red wine.

Only then did the pièce de résistance, a tender escalope of venison, arrive. It was accompanied by two sweet side-dishes that perfectly contrasted the meat's slight gaminess – fragrant, freshly picked roast chestnuts and a ripe apple stuffed with forest mushrooms and baked. If large numbers of Swiss went in for this sort of thing every October, I wanted to know, how could there be anything left moving up in the hills?

The answer is simple. Some of the game meat is imported from nearby Austria, where it is plentiful. But more important, Fritz explained, the Swiss manage their own game stocks as carefully and as wisely as their numbered bank accounts.

In many other countries it is easy enough to get hold of a license and blast away at anything on four legs, or even two, as sometimes happens. In Switzerland it takes a year of hard study, followed by tough written and practical exams, to get a license. In the Wilderswil area an annual permit costs around £650 and much more for anyone out of town.

Individual hunting quotas are decided by committee with the maintainance of ideal herd numbers as a priority. This year, for example, Wilderswil has decided to limit chamois kills to three per hunter – not just any chamois, but one male and two female.

There are also practical measures that even up the odds between the hunter and the hunted. Anyone wanting a chance at shooting an animal, said Fritz, is obliged to take his turn at feeding the herds through the lean winter months. In high altitude hunting the enthusiast is allowed to drive only to a certain height; thereafter he must search for and track the animals on foot – no mean task in the craggy and dangerous Alps. And in some parts of Switzerland a hunter must be over the age of 60 before he is allowed telescopic sights on his rifle.

I finished my meal with a Swiss-Italian specialty, Coupe Nesselrode – icecream and meringue topped with puréed chestnuts passed through a press so they come out looking like spaghetti.

The fresh air, the long day's mountain walk, the schnapps and the stupendous dinner had conspired against me; I am not yet over 60, but by this point I could have been given a rifle with sights, led up to a tethered chamois, and still have missed it. I was done in.

The only slope I was prepared to negotiate was the stairs up to bed. Besides, I had an early-morning project for the next day. If bad weather stayed away from the Jungfrau, if I could find the same trail once again, I would take my pack and go off on my own hunt. I planned to give the *pilzkontrolle* more work than he had had in a long time.

Nice – but is the price right?

Jill James unscrews a few bottles of Swiss wine

IN THE Café Torrent, vigneron René Cottier is discussing the grape harvest: "It's of medium quantity and we cut a lot of fruit off the vines this year. We are aiming for quality, not quantity."

More coffees are ordered. In his blue check shirt, corduroy trousers and mud-caked boots, Cottier looks as if he is playing the part of a French vigneron delivering the standard patter.

But Cottier is a Swiss and the economics of a Swiss vineyard, even in a recession, are the envy of the wine world.

For a start the Swiss do not export their wine, they drink most of it themselves – a noble effort since most is from the undistinguished Chasselas grape. Transport costs are minimal too. Many consumers travel to the vineyard to buy by the case. And Swiss drinkers are prepared to pay £9 to £12 a bottle for something fairly ordinary.

But, as René Cottier supervised the end of the harvest last autumn in the steeply banked vineyards at Yvorne, near Vevey, in the Vaud canton, he must have been a little worried, for the success of Swiss wine owes a great deal to the fact that growers have lived in a protected market. And that is changing.

Already the Swiss government has lifted quotas on red wine imports and imposed yield restrictions on growers. Meanwhile, domestic consumption is falling.

Cottier is realistic enough to know that he will almost certainly get a lower price this year. But he is justly proud of his product – particularly his Clos du Rocher, grand Cru Suisse, bottled at nearby Obrist – and he remains optimistic about what *he* produces.

Paul Baumann, the *chef d'exploitation*, or oenologist, at Obrist was expecting last autumn's Clos Du Rocher to leave the cellar at SFr19.40 (£8.70) a bottle (including tax).

This seems a high price for those of us who live in the UK and are accustomed to taking our pick of decent wine from the other side of the world for less than £5. But the Swiss expect to sell it at that price – and in screw-top bottles. "We are convinced it keeps better," said Baumann. Wine aesthetes will be glad to know that the red has a cork and *not* a screw-top.

Although the Chasselas has spread over most of the Vaud – some 80 per cent – it is only fair to mention that other plantings have met with some success, notably the Pinot Noir and the Gamay. Certain soils are also suited to the Pinot Gris, the Pinot Blanc and the Müller-Thurgau.

But the question growers and merchants may soon have to face is: why should you buy it at all?

There is no burning reason why you should, but sipped quietly in the many excellent bars and cafes while you are on holiday it is as good an entrée into the region's discreet charm as anything.

Rarity – or novelty value – is another reason for giving it a try. In the Vaud, particularly, varied flavours are an exceptional feature of wine growing. The *goût de terroir* goes from restrained to heavily pronounced because of the nature of the soil.

For those who would like the fruit to predominate in their glass of Chasselas good examples are: Luins, Vinzel, Coteaux de Vincy, Villette, Epesses, St Saphorin and Bonvillars. Those with more earthy palates may favour Féchy, Lutry, Calamin, Chardonne, Vevey, Yvorne, Ollon, Bex, Côtes de l'Orbe and Vully.

Finally, for those who would like something more harmonious and well-balanced, Mont-sur-Rolle, Dézaley, Villeneuve and Aigle are worthwhile.

■ Swiss wines are difficult to obtain in the UK but for those who would like to make the effort, or who are inordinately keen on fondue parties, try the Swiss Wine Growers Association, 4 av. Avant-Poste, Case Postale 1346, CH-1001 Lausanne, Switzerland. Tel: 021-20-50-83, fax 021-312-74-83.

■ UK stockists of Swiss wines – but not necessarily those mentioned above – include: Eldridge Pope of Dorchester 0305-251251; Peter Green of Edinburgh 031-229-5925; Tanners of Shrewsbury 0743-232007; La Réserve, Fulham Road and Walton Street London SW3. Tel: 071-385-8561/589-2020.

Harvest home: the grapes which go to make Clos du Rocher at Yvorne

Schnapps, to take-away

TWO MEN in caps, wellington boots and working clothes stand half-way up a Swiss hillside admiring a Heath Robinson contraption of large proportions.

An assortment of bins and barrels and pipes throbs gently in the autumn sunshine beside the vineyards at Chardonne in the Vaud canton, halfway between Lausanne and Montreux.

It certainly does not look like a place where a precious commodity is manufactured. But it is. Monsieur Raymond Perroud, 25 years a distiller, is turning out fruit schnapps.

To a tourist in Switzerland he presents an astonishing sight with his rickety-looking still perched on the edge of the road, but to the locals he is as familiar as gnomes in Zurich. He charges SFr4.60 a litre for distilling cherries into a clear liquid 60 degrees proof that makes your eyes water and your knees wobble.

Perroud spends about six months on the road and between times is based at home where anyone can bring their fruit to him for distillation.

Perroud is proud of his still – "it cost me SFr150,000" – but like everything in Switzerland it is regulated down to the last cherry pip. Bureaucrats regularly check on him to ensure that correct standards are maintained. Unlicensed stills are illegal in Switzerland, so "home-made" schnapps is made by *local* licensed distillers such as Perroud. Locals take their fruit to such peripatetic distillers and later collect their bounty in the form of fully distilled schnapps.

What a pity we cannot obtain a similar service in the UK, especially given the annual glut of soft fruit, pears and apples. Roadside schnapps distilling – now that *is* a service industry.

But, for the visitor, "home-made" schnapps is difficult to obtain. You will have to plead with Swiss friends for a bottle of the fiery, fruity liquid. Alternatively, the Swiss Wine Growers Association, 4 av. Avant-Poste, Case Postale 1346, CH-10001, Lausanne, can provide you with a list of spirit exporters who can supply good branded schnapps such as Morvand. Delicatessens, such as Manuel in the Place St Francois, Lausanne, also stock a variety of fruit schnapps as do other good food shops in Switzerland.

Jill James

Stirred by a big Swiss cheese

HIGH ABOVE Chateaux d'Oex, in a picture book Swiss chalet, Jean-Claud Reynaud is making cheese. Twice a day, from May to October, he goes through the same careful routine, stirring, decurdling and heating the milk from his 60 Simmental and Red Holstein cross-bred cows to produce the 25 to 30 kilo rounds of Fromage d'Alpage which will be individually numbered and stored.

Each season Jean-Claud and his family make 10 tons of L'Etivaz, a hard cheese that is as far removed from factory products – usually made with lots of different milks – as is possible to imagine.

After six months maturation in "cheese caves" L'Etivaz is ready for the table. Sitting in the Reynaud's kitchen last autumn with Lia, Jean-Claud's wife, I was looking forward to trying their most recently matured product. Instead Jean-Claud unearthed a big, dry wedge, cut from a huge golden wheel, that was enough to make any self-respecting mouse tremble.

"Five years old," he said proudly, as what appeared to be yellow wood shavings fell on to a plate beneath the strange implement used to cut cheese in the Alps.

It was like no other mountain cheese I have tasted; a distillation of the most alpine tastes and smells – cut grass, flowers, thick milk and straw. Unforgettable.

Not surprisingly, mountain cheeses were used for barter in centuries past. From the 13th to the 18th centuries the alpine cheesemakers were able to trade for coffee, tobacco and linen with the Italians, their neighbours on the other side of the Gotthard pass.

Today, to taste a five-year old cheese such as the Reynaud's, you will probably have to go to Switzerland to buy it. Sadly, much of the stuff masquerading as alpine cheese in the UK is factory made.

If you are interested in trying to obtain the real thing, the Syndicat des Exporteurs Suisse de Fromage, Case Postale 770, CH-300 Berne 14, Switzerland (tel: 031 44 26 11) should be able to help.

The tourist office in Chateau d'Oex (tel 029 4 77 88, fax 029 4 77 89) will be able to give you information on the Coopérative Des Producteurs de Fromage Alpage, of which the Reynauds (pictured right) are part.

Jill James

Bread lines

"IT IS tempting to suppose that one of the reasons why the peaceable Swiss have always shown so little in the way of riotous tendencies is to be found in all those gorgeous breads they bake and consume," says author Sue Style, in *A Taste of Switzerland* (Pavilion, £15.99, 160 pages).

With 3,000 small bakeries, plus those owned by chain stores, the 6m Swiss are serious bread fans. For my morning snack I was able to try *taillaux grebons*, leaves of wholemeal pastry with bits of lard, *fougassette*, a bacon bread, sweet baby brioche and a croissant. *Pain mi-blanc, pain à l'ancienne, pain complet* and *pain Vaudois* were among a dozen others on offer.

The thrifty Swiss never waste anything, as this Sue Style recipe shows.

TORTA DI PANE

(serves eight)

A typical Tessiner family pudding made from stale bread, steeped in milk.

Ingredients: 8oz stale bread (about 11 medium slices); 1¾ pints milk; 1 vanilla pod or 1 tsp vanilla essence; 3 eggs; 1 tsp salt; 5oz sugar, 2oz plain (semi-sweet) chocolate, grated, or cocoa powder; 2½oz raisins. Optional: small glass of grappa, 2½ oz pine nuts.

Break up the bread and put in a bowl. Boil the milk with the vanilla and leave to infuse for a few minutes. Remove the pod, if used, and pour the milk over the bread. Leave for three to four hours or overnight. Reduce to a purée in a food processor or vegetable mill.

Beat together the eggs, salt and sugar until light and fluffy. Add to the bread mixture, with the grated chocolate or cocoa powder, raisins and grappa, if using. Heat the oven to 180°C/350°F, Gas Mark 4. Pour into a shallow, buttered ovenproof dish, scatter pine nuts on top and bake for 1-1¼ hours or until set. Keeps well for several days in the refrigerator, covered with foil.

Jill James

A very slow bamboo boat from China...

Columbus? A mere new boy in America, or so ***Tim Coone*** *hears*

WERE the first civilised discoverers of America Chinese mariners, ordered by their emperor to cross the Pacific on bamboo rafts more than 2,000 years ago?

This question, which has puzzled archaeologists and anthropologists for decades, is to be put to a daring test by Tim Severin, the explorer and travel writer. In May, he plans to sail eastwards on a flimsy raft similar to that used by those Chinese sailors to show that they could have completed the 6,000 mile voyage to America.

The idea that the ancient Chinese exported some of their developed culture to the Americas is strongly supported by Professor Joseph Needham, the eminent orientalist and historian.

Modern archaeological techniques, such as radiocarbon dating, have established that the first real "discoverers" of the continent, were Stone Age hunter-gatherers from Asia who crossed the Bering Strait around 12,000 to 15,000 years ago at the end of the last Ice Age, when sea-levels were much lower than today.

These then dispersed throughout North and South America. As the world's climate warmed and sea levels rose, contact was broken. There the agreement on the cultural evolution of the Amerindians ends.

Academic debate now centres around two antagonistic groups. The first, dubbed the "transoceanic culture diffusionists", claims that the many similarities that have been observed between Asiatic and Amerindian cultures are the result of subsequent maritime contact between the two continents.

The second group, which believes in "indcpendent development" claims that the similarities are coincidental, and the culture, science and technology of the Americas developed independently. These achievements include the highly accurate Mayan calendar and their pictographic scripts, impressive stone temples demonstrating sophisticated geometric and engineering skills, the cultivation of maize and cotton, and ornate metal-working of gold and silver.

Severin's "China Voyage" as it is to be called, will challenge the "independent developmentalists" viewpoint. His voyage across the Pacific ocean from Hong Kong to Mexico, will be aboard a specially built 60-foot bamboo raft which is a replica of the sailing craft used by Chinese fishermen and mariners 2000 years ago.

Taking the east-going Kuroshio current across the north Pacific, which was used by the Spanish galleons in the 16th century, his aim is to follow the probable route of an expedition of 3,000 Asian mariners of the Ch'in dynasty in 218 BC, who are recorded as having been despatched by their emperor to find a land across the ocean. There they believed a drug which would give long life could be found. Severin believes they may have succeeded although they never returned.

Severin, aged 52, is no novice to such expeditions. His Brendan Voyage in a leather-hulled boat across the Atlantic in 1976, tracing the probable course of an eighth century Irish monk, was followed by further voyages in replica ancient boats; first in the Black Sea to trace the journey of Jason and the Argonauts, in the Mediterranean following Ulysses' "Odyssey", in the China Sea after Sinbad the sailor, as well as two horseback treks – one following a Crusade route and another through Mongolia on the *trail of Genghis Khan.*

The raft for the China Voyage has been designed hy Colin Mudie, who worked on three other replica craft for Severin's previous expeditions.

Tim Severin: ready for another raft of discovery

It is being built at Sam S'on on the Gulf of Tonkin in Vietnam, the only place in the world says Severin, where such vessels are still in use.

A precursor of the later Chinese junks, the raft consists of three layers of bamboo lashed together with rattan string and bamboo skin. Two small cabins, which will be "home" to the five-man crew for the six-month voyage, are made of plaited bamboo strips sealed with a mixture of sawdust and tree lacquer. It is powered by three Chinese battened lugsails set on bamboo masts and steered by an arrangement of rudders and centreboards. When fully-laden, the deck will be only a foot above sea-level.

The craft's seaworthiness is based on a "wash-through" principle, allowing it to absorb the power of heavy seas by letting waves percolate through the fahric of the hull. Severin says that prolonged exposure to the elements will be a major problem for the five-man crew. *Other perils they may have to* face are fog and typhoons. He said "previous attempts to reconstruct voyages in bamboo rafts have never gone so far without sinking, breaking up or being eaten up by shipworm".

However, Severin is no stranger to hardship. He braved storms, killer whales and pack ice in the north Atlantic in a small leather-hulled curragh during the Brendan voyage. He was surrounded by sharks and becalmed in the Doldrums on his Sinbad voyage.

The China Voyage will have the benefit of modern navigational aids, liferafts, radio, and warm clothing unlike the ancient Chinese mariners. "Anything that will enhance safety will be aboard, but will only be used as backups. We shall be eating similar foods to those used then and he using replicas of early Chinese compasses and star-angle measuring devices to navigate".

So what drives this slightly-huilt Englishman who settled happily in a small village in the west of Ireland 20 years ago, to continue *undertaking such risky expeditions?*

He says: "I enjoy doing them. It is as simple as that. It is an intellectual challenge rather than a physical one. I hope this voyage, like the other ones, will demonstrate that the technology existed then to enable travel from one side of the ocean to the other".

As with the Thor Heyerdahl's *Kon Tiki* expeditions, and his own previous adventures, Severin recognises that a successful conclusion of the China voyage will not necessarily prove that maritime contact across the oceans was achieved in pre-Christian times.

"What it will do is symbolise that various voyages could have taken place. We are focussing on one that was recorded as having set off in the *Annals of Chino*, although nothing was ever heard of them again."

"What those mariners would have carried with them, are not so much archaeological artefacts that would have survived through time but their intellectual baggage – their knowledge of calendars and astronomy, their writing and art, and their huilding skills. These *could* have heen passed on and survived if they reached their destination," he said. Severin bopes to make his own landfall In the New World in October.

One wall that still stands

Jimmy Burns visits a symbol of hope in troubled Ulster

ALBERT HUNTER, supervisor of the Spring community farm in west Belfast, stands in the driving Northern Ireland rain, feeding a rejected newly-born lamb from a bottle. "This site is no good, the mud builds up, and then the animals just sink," he says. Around him the small farm of peacocks, peahens, pigs, bullocks and sheep seems at odds with the desolate urban landscape.

Drainage may be the most immediate problem but it is not the most serious for Hunter, a former shipyard worker, and his staff of six young unemployed men working on the farm as part of ACE (Action for Community Employment) the government-assisted scheme for the long-term unemployed.

The farm stands on a piece of bombed-out waste land between two deeply divided Belfast communities: to the west, the Roman Catholic Ballymurphy estate, to the east, the protestant Springmarket estate. It was set up in the mid-1970s with government money in an attempt to reconcile the communities. The site picked for early residents Louis the pig and Barney the bullock was one of several groups of houses burnt down during sectarian rioting.

Hunter himself has suffered as much as anybody from the social consequences of Ulster's "Troubles". A 37-year-old Protestant, he remembers a peaceful childhood on the Ballymurphy estate, but as an adult he was forced to move house to the Protestant enclave of Springmarket. He came to work on the farm after being made redundant.

"People have asked for this fence to be built to keep each other out," he says, surveying the Ballymurphy estate beyond it. The fence and nearby walls – bricks and concrete topped by a steel palisade – are among several so called "peace lines" which zig-zag through the working-class areas of Belfast.

While other walls in Europe have been taken down, the one by the farm has been built up over the last year. It was reinforced after a Protestant loyalist terrorist walked round the farm's perimeter fencing, into the Catholic area, and shot a 14-year-old schoolhoy.

At the begining of the decade, it was widely assumed that such barriers would come down in Northern Ireland as they seemed to be doing In Germany and Eastern Europe. However, more recently a more tragic process of osmosis has taken place: Yugoslavla and Northern Ireland have grown to reflect each other.

In its bloody *dissolution*, Yugoslavia has revealed the underlying divisions that have sprung from religion, territorial dispossession, and the burden of history. These are familiar themes on Ulster's political landscape. While some community-based groups and church figures do reach out across the political divide in a spirit of reconciliation, the continuing violence of the paramilitary gangs – and the unreconstructed rhetoric of some politicians – springs from old fears, old antagonisms.

Against such a background it is not surprising that the farm has not developed into the universal playground it was meant to be. But it has been become a symbol of frustrated hope in the midst of Northern Ireland's seemingly insoluble divisions, as poignant as the television images of correspondents in Yugoslavia trying to make sense of the latest exchange of sniper fire.

"No one has been shot on this farm and we are visited by Catholic and Protestant school children," says Hunter. "But the Catholics come in their buses, and the Protestants in theirs. They stay here for ten minutes, then they go back into their estates."

Staff at the farm are provided by the local office running the community employment programme, which provides grant-assisted part-time jobs at minimum rates for mainly young people who would otherwise be on unemployment benefit. The area has an unemployment rate of above 50 per cent.

The local manager is Jackie Hewitt, a Protestant ex-trade unionist who has spent most of his working life commited to community work. He plans to move the farm to a better-drained area by the summer. But, like Hunter, he does not underestimate the problems of huilding a more effective hridge across the sectarian divide. "We are trying to reach out to the fringes of our community, hut we doo't fool ourselves that Protestants and Catholics are golng to suddenly live together... Reconciliatioo in Northern Ireland is not easy."

As They Say in Europe/**James Morgan**

Language of diplomacy

AS USUAL last Saturday, French radlo stations carried extensive acconnts of the day's rngby internationals. There was also the regular phone-in and, once again, I was impressed with the expertise and sense of *le fair-ploy* exhiblted hy commentators, fans and *rugbymen*. Then, on *Fronce-Inter*, there was another phone-in. It was about the Ecu, monetary union, and speculation against the franc.

In all snch programmes, there are three gronps of callers: buffoons, paranoiacs, and those occaslonal ratlonal, fair-minded people who agree with me. This occasion was dominated hy those who believed the US and its satrap, Japan, were plotting against the European Community.

The Americans were leading a speculativa attack on the franc to destroy the EC. They were jealous of the dollar's global role and would stop at nothing to prevent the Ecu's eventual take-over. They were helped by the English, because *the City of London had built* its prosperity on speculation and could not afford to let a whole lot of speculative opportunities – ie, numerous European currencies – disappear. So, they were plcking on them one hy one to hreak up the European monetary system and destroy all prospects of monetary union.

Listeners were invited to phone in and record their vote, for or against monatary union. About 1,500 did so and they split 81-19 per cent in favour.

What was extraordinary about that hour as I sat, captivated, hy French radio stations was that a rngby match should be treated with total objectivity, credit being given where credit was dne, while intricate questions of international monetary policy should generate deep passlon, xenophohia and, of course, paranoia.

The immediate inspiration for this outbreak was the view enunciated hy a right-wing politician and former prime minister, Raymond Barre, who had described the assaults on the franc as *spéculation contre l'Europe*. A foreign exchange dealer on the studio panel pointed out that there had been only "speculation for Europe" before the Danes voted No last June.

There is one sure way of knowing when a French politician is talking through his hat – translate what he says into English. "Speculation against Britain" is the kind of phrase that nobody in the UK could get away with – British politicians have to use other tech*niques to obfuscate and con*ceal lack of thought.

Anybody who donhts *this* principle should stand outside the Lycée français in South Kensington and check which language the bilingual pupils use when they emerge. If they wish to communicate vital information rapidly, they speak English. ("Cor! Did you see Jean-Claude Pinean de Charente smash Claude-Remy Martin de St Emilion's teef in! Yon should of. It were ace").

If they wish to indulge in sophistry and deceiva, French will be the natural choice. *("Tu sais, mon vieux, sans Eric Cantona l'équipe de Manchester United ourait etoit massacrée même par Stockport County")*. This explains why British politicians sound better in, say, *Le Monde* than in *The Sun*.

But I *digress*. It *is apparent* that the onthurst of French *Euro-fanaticism is associated* with greater hostility towards the neighhour across the Channel: differences grow more acnte. Is it not, for instance, strange that as the franc strengthens and grows more reliahle as a store of valne, the more the French wish to do away with it, while British loyalty to the rotten pound grows as the currency declines?

Presumably, this is because of the new orthodoxy which holds that the main foundation for a strong economy is a weak currency. The attempt to put this policy into effect is seen as sabotage in France and has aggravated what one might call the Hoover syndrome.

I had intended not to get involved in this matter, bnt "social dumping" might well turn ont to be one of those phrases that will echo down the weeks, like "the end of history." The move of Hoover's plant from Dijon to Glasgow has become a symbol of almost everything. *Le Figaro* saw it as a reflectlon of the "thirdworldisation" of parts of Britain and evidence of the miserahle plight of Scottish wage-earners. When the Lion chocolate bar factory moved in precisely the reverse direction, that was merely a normal commercial decision.

It was still strange that the prime minister, John Major, decided to see the Hoover move as a vindication of his rejection of the social chapter of the Maastricht treaty. This has played into the hands of his French critics, who have to find what has been impossible np to now: a translation for "level playing field." Hang around the lycée in South Ken and something will turn up.

■ *James Morgan is economics correspondent of the BBC World Service.*

Motoring/**Stuart Marshall**

Where are the big family estate cars?

WHAT KIND of car do you huy if you have a large family? The fashionahle solution is a multi-pnrpose vehicle (MPV) like the Nissan Serena I wrote about last week.

There is no doubt that MPVs have a lot golng for them as people-carriers. One version of the Serena – and the larger Toyota *Previa* – takes up to eight. A Renault Espace or a Mitsuhishi Space Wagon seats up to seven. But there is a snag. Where does the luggage go when an MPV is carrying its full quota of people?

The answer: mostly on the floor or a roof rack. Not even the Previa has more than a modest amount of proper luggage room when *all* eight of its seats are filled. And the spare pair that make an Espace or Space Wagon – or 4 x 4s like the Land Rover Discovery – into a 6/7-seater take up what is normally the load space.

With one exception, the bandful of conventionally-shaped 6/7-seat estate cars are no better. Rover Montego, Mercedes-Benz 200-300 and Volvo 940 estates become seven-seaters only when their rear-facing occasional seats for children are pulled up from the load compartment floor.

Friends of mine who had five young daughters and a holiday home in France side-stepped the problem neatly. They bought a pair of Renault 4s and split the girls between them. There was plenty of room for luggage in two boots.

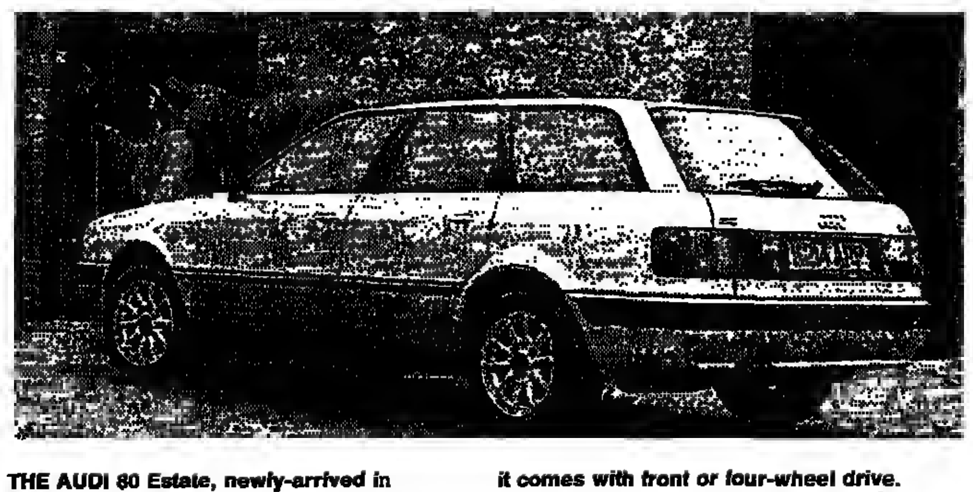
An alternative could have been one of the genuine family estate cars that were a French speciality. For years, Peugeot and Citroën made stretched, seven-seat versions of their biggest estate cars, the 405 and 505, DS and CX. Because they were longer in hody and wheelbase, they had room for three rows of face-forward seats plus a fair amount of luggage.

Sadly for parents of large families, they are not made any more. Last to go was the Peugeot 505 *familiale*, a gentie giant of a car. Even with seven on board, it had a load floor 29in deep and 51in wide (72cm x127cm) behind the third row of seats. This bench was hahitahie by adults and plenty big enough for two children to be comfortahle on a journey. With middle and rear rows of seats folded flat, the *familiale* had a *load floor 83in (207cm)* long. They come larger only in vans.

So, where are the family estates today? Gone hut not forgotten, so far as Peugeot and Citroën are concerned. The 505 lived on for a time after the 605 appeared, but is no longer made. Peugeot says there will never be a 605-based estate car. Citroën denies any intention of adding a stretched *familiale* estate, with three rows of forward-facing seats, to its XM range.

The only one of the hreed still surviving – although, I fear, not for much longer – is the Renault Savanna. It is not as big as the 505 and CX but at *least* it allows parents to carry four offspring, fastened safely in child seats and facing forward, plus some luggage.

The Savanna (Nevada on mainland Europe) with up to seven seats is listed at between £11,810 and £12,770. You can pay more than that for a low-*mileage*, *H-* or *J*-registered Peugeot 505 2.5 GRD *familiale* in mint condition if you are lucky eoough to find one. Its Citroën counterpart, the CX22 RS, will he much cheaper (around £4,000) hut older; G-registration models were the last to be sold in Britain.



THE AUDI 80 Estate, newly-arrived in Britain, is at the other end of the scale from the big people-carriers. Audi has a hang-up about estate cars. So doea BMW, which refuses to use the term for its *five-door 3-Series and 5-Series Touring* models, although that is what they are. The 80 Estate, Audi says, is designed to fit between a saloon and a "traditionally functional" – for which read practical and boring – estate car.

The 80 Estate is most enjoyabla to drive with excellent handling, light controls and a feel of quality. A compact 4/5-seater, it comes with front or four-wheel drive. Engines range from a super-economical 1.9-litre, direct-injection turbo-diasel to a multi-valve, five-cylinder, turbo-charged 2.2-litre.

My test 80TDI (£16,955) combined refinement with all the performance you could reasonably require and offared potential 50 mpg (5.65 l/100km) fuel economy.

As for the £30,495, four-wheel driven S2 Estate above, think of it as the original Quattro turbo coupé reborn with smoother styling and hulk carrying capacity.

TRAVEL

Roll up (and wrap-up) for Nudo Matsuri


Waiting for the emergence of the god-man at the Nude Man Festival in Konomiya, central Japan

IT IS mid-February and the temperature is barely above freezing. The crowds lining the approach to the Shinto shrine at Konomiya, in Aichi prefecture in central Japan, are muffled against the cold wind.

Wearing down-filled ski-jackets, everyone presses together for warmth, like penguins resisting the cold. From an indistinct murmuring a pattern of sound emerges, a chant growing in urgency as the first group of 100 naked men come into view just before noon.

In all, more than 8,000 men and boys will make their way to the shrine during the afternoon to await the climax of the festival which comes just before dusk when the *shinotoko* (god-man) appears. The *shinotoko* is completely naked while the others wear *fundoshi* – cotton loin cloths passed between the legs and wound round their stomachs, a flap of which serves as a convenient pouch for cigarettes.

On their feet they wear *tabi* – white socks split between the big toe and the other toes and fastened on the inner side of the ankle by small metal clasps. Tied around their heads are colourful bands which identify each to his particular group or village.

For many, to participate is an act of bravura; for others, especially those around the mid-life-crisis age, it is a necessary act of ritual purification. For this festival to have continued since an edict by the Empress Shotoku in 767 AD is testimony to the Japanese sense of continuity and a need to retain a link with the indigenous religion of Shinto.

Despite Japan's apparent wholesale acceptance of western ways, most of its local festivals remain uniquely Japanese, and the participants – salarymen, housewives and children – relish the opportunity to dress up in traditional clothes (or dress down to *fundoshi* as the case may be), to drink sake freely and to revel in the long cultural pageant that is Japanese history.

The date of the festival is determined by reference to the old lunar calendar which Japan adopted from China in 604 AD. This calendar was used, with small modification, until 1872. Because the months were strictly lunar in the Chinese calendar, the beginning of the year varied between January 20 and February 19, according to when the sun entered the sign of the fish.

***Christopher McCooey** sees a turbulent Shinto festival*

The Shinto priests at Konomiya always fix the festival for the 13th day of the first lunar month of the year, so the date varies between February 1 and March 3, usually the coldest period in the Japanese winter. The Japanese word for "four" is *shi*, which also means "death," and they believe that the most dangerous age is 41, called *honyaku*, and that you must be on your guard against misfortune at this time.

The festival attracts many in the age range 39-41. They participate as a kind of insurance policy based more on superstition than strong religious conviction. Those who take part are not guaranteed freedom from misfortune – each year the police arrest some who have drunk too much, and the ambulance is always called to take away those suffering from exposure or with broken bones.

In the 1970s a 20-year-old girl spectator was trampled and suffocated to death by the frenzied throng. Since that incident police crowd control has been much stricter. Even the *shinotoko* is not immune. A doctor friend of mine told me, with some amusement, that the god-man of 1980 was treated a few months later by a colleague – for tuberculosis.

The priests begin preparing for the festival on the second day of the year (according to the old calendar). The shrine is cleaned and tidied and the *shinotoko* is chosen from a number of volunteers. Formerly, an itinerant visitor to the town was chosen as he would leave the district in due course and take the community's ill-luck with him.

Today, selection is by *omikuji* (numbered sticks) and volunteers are usually in the age group 24-26. Volunteers of other ages may apply, but because of the physical hardship – the exposure to cold and the buffeting by participants – strong and healthy men are preferred.

On the 11th day of the new year, the head priest makes *naoi mochi*. Steamed rice is pounded and a cake (*mochi*) is made from the glutinous dough. This cake plays an important part in the festival proceedings but it differs from the traditional rice cakes made at New Year in that ash from burnt peach and willow branches is mixed in with it, and the cake is destined to be buried, not eaten.

Naoi is the official name of the festival and is a proper name, but in recent years the Japanese have taken to using the English word "nude," so the event is popularly known as the *Nudo Matsuri* (Naked Festival).

After preparing the *naoi mochi*, a special building is constructed on the night of the 12th for the main god of the shrine to reside in as the climax of the festival approaches. The *shinotoko*-designate stays in the shrine overnight and receives instruction from the priest. All of his hair (head and body) is shaved and he composes himself for the rigours of the morrow.

From early on the morning of the festival people start arriving from the surrounding districts. More than 600 stalls have appeared in the streets leading to the shrine and the chill air is redolent with soy and sake, the sizzle of barbecued squid and the slurp of noodles.

Around 250,000 visitors are expected during the day and the shrine itself has an extra 200 workers selling charms and talismen. If nothing else, the festival is big business.

The roofs of buildings near the shrine have been converted to makeshift stands and seat places are sold for £10-£15. Many are takeo by amateur photographers who want a good view and some kind of protection for their expensive equipment.

In the afternoon, groups of naked men and boys (some as young as five, and carried on shoulders for safety) present themselves in front of the main shrine building. They pass to the priests a talisman that they have brought from their own district for blessing. Usually this is a freshly-cut bamboo pole tied with bright pieces of cloth. In return for the talisman the Shinto priests give benediction by waving green fronds of bamboo above the heads of the crowd. By late afternoon all groups have gathered in front of the shrine and tension rises as the emergence of the *shinotoko* draws near.

When he does appear, surrounded by his protectors, all hell breaks loose as everyone struggles to touch him. The excitement borders on frenzy as the protectors do their best to steer him in reasonable safety through the mob.

All this time about a dozen men with wooden pails repeatedly throw ice-cold water over the writhing limbs and torsos from which come cries and incredible amounts of steam. The tide of bodies sweeps the *shinotoko* backwards and forwards. After about 30 minutes his bodyguards endeavour to return him through the gates of the shrine; in less than an hour he is back in the safety of the inner sanctuary. For the participants, many numb and blue with cold, their *tabi* filthy and torn, their *fundoshi* soaked, the festival is over. Hugging themselves for warmth, they quickly make their way home.

For the *shinotoko*, however, the most important part of the festival is approaching, and he must remain in the shrine for another night. He represents the tip of the pyramid of the transference of ill-luck. The participating men brought their family's and community's poteotial for misfortune with them to the shrine. In touching the *shinotoko* this was transfered to him and he takes it all upon himself back into the shrine. Once inside, all this misfortune is transferred from the *shinotoko* to the *naoi mochi* and, at 3am, the final drama is enacted.

The head priest hands the *naoi mochi* to the *shinotoko* who runs three times round the main building. Then he is driven out of the shrine with branches of peach and willow which are thrown after him.

The *shinotoko* flees and runs past another shrine in the neighbourhood where he throws away the rice cake. The head priest of this shrine collects it and secretly buries it so that all the misfortune and ill-luck is finally removed and the festival of purification is completed for another year.

The FT guide to Civilised Breaks

Intimacy and grandeur

London feels like civilisation itself, a maze of divergent and overlapping threads, says ***Alastair Macaulay***

THERE ARE many Londons. When I was a boy in the country, I craved London's theatre, shops and famous sights. When I lived in New York, I missed strolling in London's parks and residential streets. When members of my farming family come to town for the day, I take them to an exhibition or gallery, a little shopping, lunch, and then a matinee.

You choose your own London. Some visitors know that London is still the theatre world's capital, and they pack in as many shows as they can. Other visitors come to London solely for its classical music. And though London may not be the painting capital of the world, it keeps a gallery-goer busy.

If you choose a cross-section of Londons, you take in not just the Londons you were looking for, but also the larger London that threads them together. London feels much more amorphous than Paris or New York. It can take much longer to get around; it has been assembled, merged, reconstructed over the centuries; it is diffuse. And that is its pleasure. London does not feel like the product of one particular phase of civilisation – it feels like civilisation itself, a maze of divergent and overlapping threads, with noise and calm in alternation.

Here is my recipe for a weekend: Start late Friday afternoon, end late Sunday afternoon. First, a few rules:

1) Fit in a minimum of two plays (or operas, ballets, musicals) – one light, one serious, or one modern and one classic. Right now the West End has a number of first-rate offerings: Peter Hall's staging of Wilde's *An Ideal Husband* (Globe); Pinter's haunting *No Man's Land* (Comedy); Robert Lindsay in *Cyrano de Bergerac* (Haymarket); Giles Havergal's brilliant staging of Graham Greene's *Travels With My Aunt* (Wyndham's) and *The Rise and Fall of Little Voice* (Aldwych).

If I do not recommend the National's *Carousel* or the RSC's *Hamlet*, it is only because they are sold out. But any weekender in London should already have checked what's on, not only at the National and RSC but also at Covent Garden and at the English National Opera. Several of ENO's productions are among London's finest. But be warned: the Coliseum's acoustics are only reliable in the balcony or the stalls; not all voices carry well into the two middle circles.

2) Fit in at least two galleries during the weekend. There is no point in spending more than two hours at a time in one; your head gets congested. But London's galleries are seldom crowded, and their range is great.

3) Walk (weather and health permitting) as much as possible. London is not one of those cities, such as Paris, that can be taken in almost entirely on foot, but it rewards as much pedestrianism as possible. And walk through at least one London park.

4) Do not spend too much time on big meals. You can eat well in London but it is easier to find poor restaurants in London than in most big cities. Food is not the reason to be here – unlike, say, Brussels, where meals should be prolonged.

Friday evening: Drink and/or light pre-performance snack at Café Pelican (St Martin's Lane), deliberately French, beautifully coloured and very convenient for most theatres. After the performance, a meal in the West End. The traditional theatre-goers' haunt is the noisy Joe Allen's, where actors and dancers also dine, but you need to book in advance, and things are not much fun unless your table is well placed. (Lunch is quieter and easier). More reliable are Chez Gerard (branches in Dover St, Charlotte St, Chancery Lane), Bertorelli's (Floral St, Covent Garden), Café Fish (Panton St, Haymarket) or Plummers (King Street, Covent Garden). You can have three courses plus wine at most of these for well under £25, and a lighter meal much more cheaply.

Saturday: If you can afford it, and can obtain a window view, try breakfast at the Savoy, or anywhere with a view over the Thames. Gallery-goers should then walk one block east to Somerset House – worth a look in itself – to see the Courtauld Institute. True, the paintings are not well-lit, but the collection, impressionist and post-impressionist, is first-rate.

Now for an obvions but uncrowded tourist path along the riverbank, for the views. Cross Waterloo Bridge, walk along the South Bank to Westminster Bridge and cross back to inspect the Houses of Parliament. Those with a taste for monuments should make a slight detour to visit Westminster Abbey, and/or Rodin's *Burghers of Calais* statue nearby.

Next, take a taxi or bus to the Tate Gallery (open 10am-5.50pm; Sunday 2pm-5.50pm), and head straight for the Turners in the Clore Gallery. There are too many of these for the space, and at first they can look like too much of the same thing. But try a few and you will find that you see light, and London, differently. Both the café (good) and restaurant (excellent) are recommended for lunch.

After lunch, zoom as fast or slowly as you feel inclined through the Tate's modern art. You are bound to hate some of it, but its presence here reminds you that London is not just a city that happened in other centuries. And the Tate's pre-20th galleries give you, among other things, a sense of the historic continuity of England: Hogarth, Gainsborough, Blake, Constable. As you leave, there is the surprise of finding that the Thames looks different from when you entered.

If you need to shop, head straight to Knightsbridge, Chelsea or Kensington. (Only masochists hit Oxford Street on a Saturday.) If energy and weather permit, you could carry on walking, through the squares and streets of Pimlico to Chelsea, possibly via Belgravia. Apart from the incidental fun of the different shops and pubs you pass, there is the larger pleasure of sensing London's rapid switches of scale, between village intimacy and grandeur, between ambassadorial formality and Bohemian ease.

Then jump into a taxi, or on to a 19 or 22 bus, and return to the West End in time for the most controversial part of the day – tea. Whose tea is best? My friend Clare prefers the Ritz or the Dorchester; I plump for Brown's. We cannot agree. But upstairs at Fortnum's is cheaper (men do not have to wear ties), and simpler altogether is the café at the Royal Academy. After tea there is time to rest, and prepare for the theatre.

For dinner after the show, see Friday – or splash out on somewhere more remarkable from *The Good Food Guide*. Since you have worked up an appetite by now, try Bibendum (Fulham Rd). The Michelin windows, the spaciousness of the restaurant floor and the calm good service are all particular pleasures. Then there is the food, rich and exquisite. A full meal with wine may well cost about £80 per head.

Sunday: If the day is fair, you can venture on to the river. The river bus stops at regular intervals, and you can take it up to Hampton Court or down to Greenwich. Or, if you take Sunday as the Lord's day, try morning service at St Bride's, Fleet Street, with its memorable intimacy and choir.

If the day is greyer, you can spend it walking. London is not quite the ghost-town it used to be on Sundays and crowd-lovers should hurry to the Trocadero in Piccadilly, or to the Covent Garden or Camden Town markets.

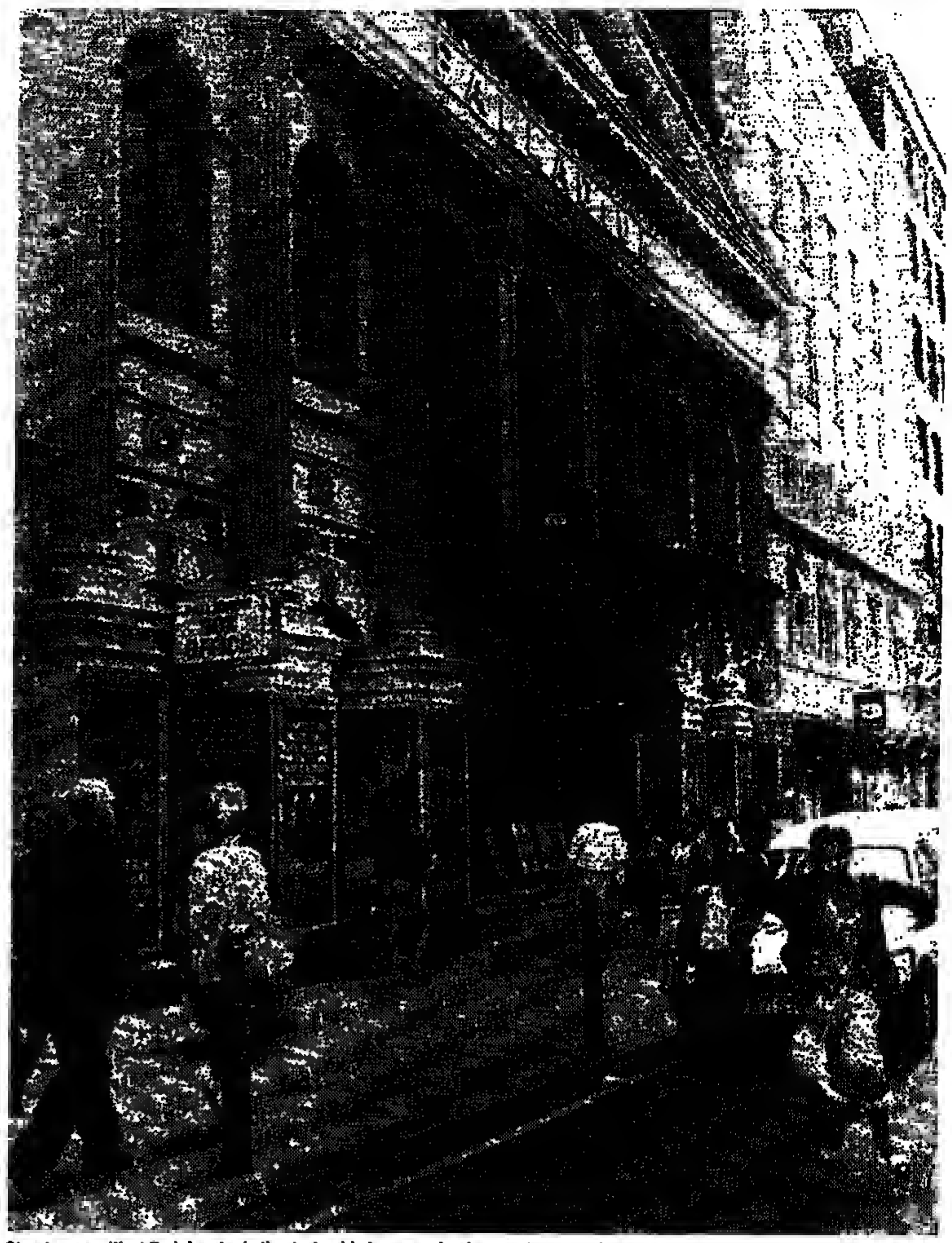
But Sunday is still much London's quietest day, and the morning is a good time to take in the bare bones of the city. From Parliament Square walk north-north-east to St James's Park. (A slightly longer, terribly obvious but fairly irresistible tourist route is via Whitehall). When in view of Buckingham Place, head north-east, over the Mall, and thread through the streets of St James's, a district which gives you a taste of London's overlapping centuries. Now head east up Pall Mall and thus to Trafalgar Square.

Whether the National Gallery's Sainsbury Wing is a stylish or anodyne piece of architecture is a question you can ponder over lunch later. But seldom will you find a space in which paintings are presented, spaced and lit to better advantage than in the Renaissance wing upstairs. One small room has one painting per wall; three of them are by Pero della Francesca.

Traditional English cuisine is rare anywhere, but for Sunday lunch and a change of scene, try Kensington. Maggie Jones's (6 Old Court Place, off Kensington Church Street) does a trad three-course Sunday lunch. Afterwards, and after taking in a bit of Church Street, walk around and across Hyde Park. Possible highlights here include Kensington Gardens, the swings near Marlborough Gate, the Serpentine and Speakers' Corner.

Then walk in a north-easterly direction to Manchester Square and the Wallace Collection. (Open 2pm-5pm; other days from 10am). If you have a taste for 18th or 19th century paintings (and much more), you know about this anyway. If you have not, the gallery itself, with its furniture and staircases and rooms, gives you a scent of bygone aristocratic eras. Life simply is not the same after you have seen a Sèvres frying-pan.

If there is serious rain you can spend more time in the galleries. In the afternoon, you can further investigate the best-tea debate (see Saturday). Or, for another change of scene and a taste of sheer whimsy, there is, from 3.30pm-6pm (Sunday or Saturday), *thé dansant* at the Waldorf. Some of the older couples come in ill-advised 1920s outfits, and – yes – some of them should never tango. Sooner or later, however, if only for a shuffling foxtrot, you will find yourself on the dance-floor too. After that, you are no longer a spectator of London, but a participant.



Street scene, West End. London's theatreland is in up-mode at present

PROPERTY

Gerald Cadogan examines a bill, passed by MPs this week, that could change the face of central London

Leaseholders get their big chance

THE CENTRAL London property market faces its biggest potential change for two centuries when the Housing and Urban Development Bill receives royal assent in the summer. This new law will allow many leaseholders of flats to buy their freeholds, and extends greatly the existing opportunities for a leaseholder of a whole house to do the same.

Although the great London estates oppose the bill, it has rattled through the House of Commons and had its third reading this week. Opposition in the House of Lords could be strong but the Queen will have no problem assenting as Crown property is exempt (although the exemption probably will be waived), as are the National Trust and housing trusts.

The bill maintains the level of complexity traditional in leaseholds, with plenty of "grey areas" to provide work for valuation surveyors. If you, or the group of lessees in your building, are contemplating enfranchisement (lawspeak for becoming freeholders), you will be wise to hire one who knows the local conditions.

Enfranchisement began with the Leasehold Reform Act 1967, which the Labour government introduced to help Welsh miners facing eviction. "It was a radical change in tenant-landlord legislation," says lawyer David Neuberger QC. "For the first time, A could acquire property compulsorily from B when it was not for the public good." Most central London houses were too valuable to qualify, but the Housing Act 1974 raised the limits for them following the general re-rating in 1973.

The present rules are that the property must be a house and your principal residence for at least three years. The original lease must be "long" (more than 21 years), the ground rent low, and the rateable value below £1,500 – or just above that if you can show that the marginal added value came from improvements you had made as tenant (leaseholder). These conditions are stringent.

An alternative is for leaseholders to apply for a 50-year extension beyond the original date of expiry. There is no capital cost for this but, when the 50 years begin, the ground rent is set at a "modern" (meaning high) rate with a review in 25 years, and the leaseholder loses the right to buy the freehold. The new bill keeps this 50-year option for houses that still qualify under the 1967/1974 rules.

For enfranchising, the bill scraps the £1,500 rateable value limit. The new test is that when the lease began, the original ground rent must have been two-thirds or less of the then rateable value or, for a lease granted after April 1, 1990, the ground rent must not have been been over £1,000. This relaxation will slowly lead to the enfranchisement of many houses above the old rateable value limit on leases of 50 or 60 years, granted long before the recent inflation of property prices prompted landlords to push up ground rents. Some landlords have raised ground rents to as much as 1.5 or 2.25 per cent of the market value, but it is now only the initial ground rent which counts in the criteria for enfranchisement.

'You will be wise to hire a valuation surveyor with local knowledge'

The bill also extends enfranchisement to flats, with further provisos. The building must have two or more of them with at least two-thirds on long leases. In turn, two-thirds of those must agree to enfranchisement and make a collective application through a nominee purchaser, which might well be a company in which they all hold shares.

If the landlord lives in the building, there is no case for enfranchisement – unless it is a purpose-built block (not a conversion) with more than four flats. And if more than 10 per cent of the building is non-residential (a shop or garage, perhaps), again there is no case.

But flat leaseholders do not have to meet the three-year main residence rule for houses. They need only a qualifying interest in the flat, and can have their main residence elsewhere. A business could own it.

Flats that do not qualify may be able to buy a 90-year extension of the lease with a peppercorn ground rent at market value.

The procedure for enfranchising is this:

1. Get a valuation from a surveyor and agreement among the leaseholders.
2. Serve a Tenants' Discovery Notice (optional) on the landlord requesting details of the freeholder and all people with a proprietary interest in the building.
3. Serve a Tenants' Purchase Notice on the freeholder and any intermediate landlords, as the leaseholders have to buy out all superior interests. (This means they will, collectively and expensively, become the new freeholders for any leaseholders in the building who do not wish to share in the buy-out).

This notice gives the proposed price, commits the leaseholder(s) to paying the costs of the other parties from this point, and names a date at least two months ahead by which the freeholder must reply.

Stage 4 is the freeholder's counter-notice, which might agree with, or dispute, some or all of the terms. If most leases are within five years of expiring, and he can show he intends to re-develop the site (difficult for listed buildings in conservation areas), he can invalidate the claim. If there are non-qualifying flats or parts of the building, such as garages or tenanted shops, he must say if he wishes to exercise a new right to a leaseback of those parts for 999 years. If he does not, then the leaseholders will have to pay the cost of buying out these freeholds also and will receive the rents (This might be more than the leaseholders can afford).

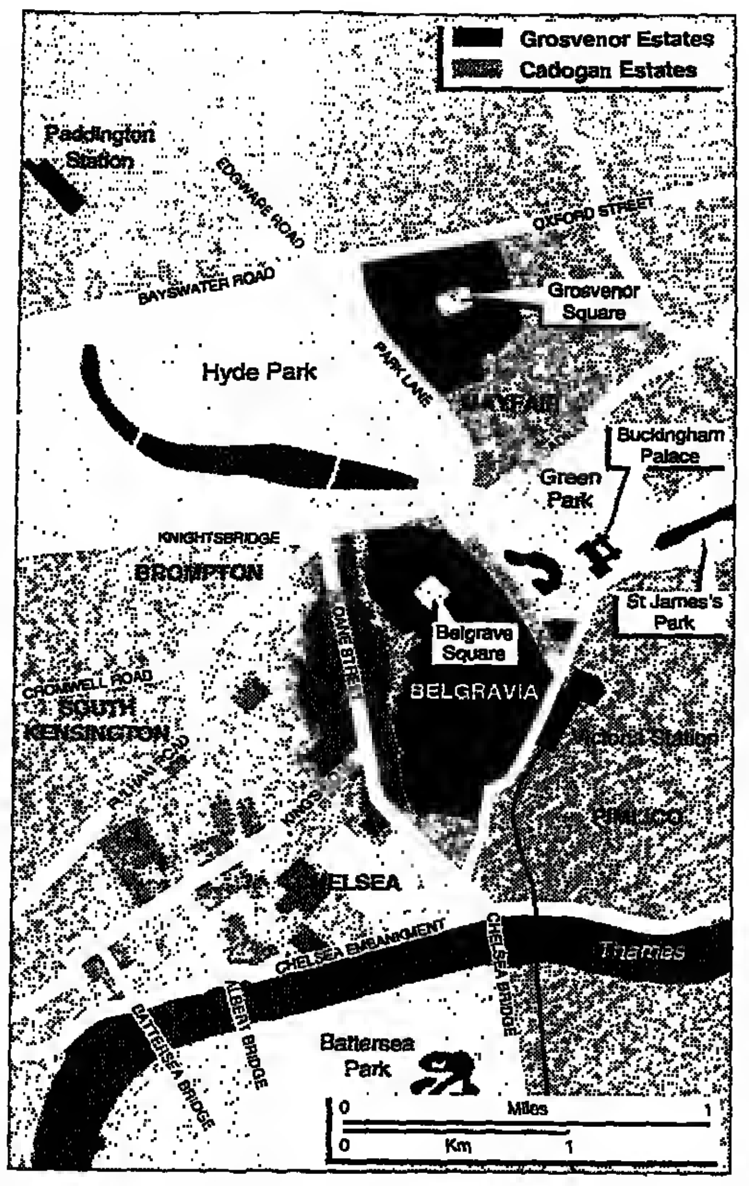
Negotiation follows. If the parties disagree, the case goes to the county court or, if about price, to the Leasehold Valuation Tribunal, with appeal on points of law to the Lands Tribunal.

This is a simplification of a difficult law packed with exceptions to delay or complicate proceedings, and cut-off dates which must be observed. The freeholders will use them to the full, as they do not wish to lose their properties.

For leaseholders, it will be a struggle, with sleepless nights and anguish. Is this worth it? And will they in the end have the money to buy the freehold?

The cost to the leaseholders will be the sum of the open-market value of the freeholder's interest in the property, plus at least 50 per cent of the "marriage value" (the increase in total value which results from amalgamating freehold and leasehold interests) plus any amounts for "injurious affection" to recompense the freeholder for a forced sale and costs. You can be sure that surveyors for either side will begin with differing estimates.

Some leaseholders will fail to complete the process "But it is no longer a landlord's market," says Charles Boston, of surveyor Francis Russell. He advises potential purchasers: "Speak to your landlord now; he might sell you a long lease at attractive terms." But Boston adds: "Make sure you have good advice in case what looks like an attractive proposition isn't."



For and against

IS THE Housing and Urban Development bill fair? Yes, and needed badly, say the Leasehold Enfranchisement Association (LEA) and Dudley Fishburn, the MP for Kensington who has headed the battle for reform. They say leaseholders pay for their houses many times over – in premiums, ground rents, management charges, repairs and maintenance – and, at the end, are left with an out-of-date lease while the landowner gets the rise in value.

London's large estate-owners, who do not wish their holdings broken up, disagree. They say they have looked after the estates for centuries and claim it is unfair for the law to intervene in a contract into which willing partners have entered freely.

The estates are unique, long-term family investments. In 1677, Sir Thomas Grosvenor married 12-year-old Mary Davies, heiress to the manor of Ebury which stretched from the river Thames to Oxford Street. Some 300 acres of it, in Mayfair and Belgravia, are still owned by the Duke of Westminster's *Grosvenor Estate Holdings*. (The Pimlico section was sold in 1950, one reason being the embarrassment of the then duke when cited as landlord in many brothel-keeping cases). Its asset value of £3.7bn made it equivalent last year to the eighth-largest quoted UK company, says the LEA's report on *The Great London Estates*.

The Cadogan estate stems from the marriage in 1717 of Charles Cadogan to the daughter of Sir Hans Sloane, founder of the British Museum, who had bought the manor of Chelsea in 1712. Other estates include Portman, Bedford, Howard de Walden, the Church Commissioners, Phillimore, Eyre, Ilchester, the Crown and Henry Smith's Charity, the trustees of which bought 84 acres in Kensington, west London, soon after he died in 1628 "for the use of the poor captives being slaves under the Turkish pirates" and for his poor relations.

Boom time came in the late 18th and 19th centuries as London spread into the surrounding villages and farmland. The landowners gave speculative builders like James Burton and Thomas Cubitt leases to put up houses, but did not relinquish the land. So the system began. The builders paid for the houses. Their clients bought and maintained them and paid ground rent to the estate, which took them back after 99 years when the leases ran out.

The bias towards the families that owned the ground was tolerable while property values stayed stable, as they did until the early 1960s. But the price explosion changed the game. Reversions had great value. Leases of 50-60 years let the landowner (as in Monopoly) pass "Go" and collect twice as often, and ground rents turned "modern" and expensive. The old were affected worst; they have dreaded outliving their leases and being thrown on to the street.

Joan South, campaign co-ordinator of the LEA, claims the estates have inflexible attitudes which are conditioned by the great security they have had and by the conservative training of their surveyors. She adds that, with less complacency and more consideration by the estates matters would never have polarised.

Diminishing leases are not such a problem. Research by the Consumers' Association and the Joseph Rowntree Trust found that 97 per cent of flat leases had an unexpired term over 60 years (the crucial factor for lending by building societies) and two-thirds had more than 90 years. On the Cadogan estate, long leases for flats were rare until the 1965 Rent Act controlling rents severely hurt the market.

Lord Chelsea – son of Lord Cadogan – and Stuart Corbyn, chief executive of the Cadogan estate, note that, under present rules, people tend to enfranchise when they are thinking of selling on. Lord Chelsea says: "Enfranchisement gives a number of lessees now a chance to benefit but does nothing to solve the housing problem." While the rules on price imply willing buyers and sellers, he says: "We are not willing sellers." He says London will suffer. "The planning laws do not go so far as we do. There will be more plastic windows and a satellite dish on every building. This is the end of the family estate."

The bill will be a piecemeal end to an impasse of attitudes, but the legislation *was* in the Tory election manifesto – a new form of privatisation to share out the spoils from the property boom. One thing is certain: applying it will be a bonanza for lawyers and surveyors.

■ Next week: The look of London; the bill and the market; flatholders unite.

GARDENING AND OUTDOORS

The sweetly-scented flowers of Hamamelis are a welcome sight in early spring

That old witch hazel magic

Hampshire's Hillier Arboretum casts a fresh spell over ***Robin Lane Fox***

WHEN local authorities have a gardening budget, they usually make fools of themselves: they put hanging baskets down old streets, chopped bark on roundabouts, and trees at a density of five to the square metre. I am happy to put the opposite case.

In 1977, Hampshire county council accepted responsibility for 160 acres of trees, shrubs and mowing bequeathed to it by one of the kings among nurserymen, H.G. Hillier. Nobody knew what would happen. Late in winter, you might have expected hectares of heather and universal pansies. You would be wrong.

I have just spent an afternoon walking around a pre-run of heaven, sustained by council funds and a discreet balance of management. In two hours, I have seen more flowers than I will have grown myself by mid-April.

If your spirits are low, head for Ampfield, near Romsey. In the Hillier arboretum, camellias are open already beyond the lake; among the winter honeysuckles, Lonicera setifera will test the experts; and you ought to be in time for two extraordinary spectacles: a daphne from the Himalayas and dozens of witch hazels shining like stars through the mist.

Since 1977, the council has not compromised or made the arboretum worse. It has survived the storms and gained in height, maturity and coherence.

Harold Hillier had planned a certain amount and planted even more: like Topsy, his arboretum just grew, and he probably did not think about the width of a gang mower or every ultimate vista through the thujas. His gardens had some firm, straight walks, a lovely lake, and raised beds of gravel near the main house.

Design was only one consideration, though. The other was variety: as a result, the garden now includes more than 100 of the champion trees in Hampshire and over 100 listed rarities including one, a rather dismal conifer, which is believed to be extinct in the wild.

The council's budget is well over six figures and supports 12 gardeners, a distinguished curator, and the necessary work of clearing, inspiring and opening up. The council can be proud of it and deserves a round of national applause.

Hampshire head-scarves have a way of kidnapping the early places on the arboretum's popular weekend workshops; but anyone can visit and you can become a Friend for £10 a year. Meanwhile, visitors continue to pile in, increasing as healthily as the birch trees.

Under the general slogan of education, the county must also reckon on quiet, personal visits when somebody looks, thinks and decides to go away and imitate. I sound confident about this aspect because it has happened to me twice at this place.

Once was on a spring day three years ago when tha magnolias opened all at once and hundreds of *Weekend FT* readers set off to see them. The second was the week before last when, admittedly, tha arboretum committee gave ma lunch – although I do not think the lunch was to blame.

Our tour was not a laid-back affair. It was the sort of afternoon when angular figures in anoraks might ask if you thought a particular birch tree was costata or ermanii and, if you were not sure, they would ask someone else instead. There were no bimbettes, no rides on runabouts: just a covey of gardeners and hotanists, one woman in a mackintosh hat, and an inability to stay in a bunch because our guides Roy, Chris and Tony kept finding something more interesting about 50 yards away.

The point of the meeting was to view the collection of witch hazels and, just to be sure, I had cbecked them before lunch. They are quite marvellous and their flowers, like frost-proof strips of papery textile, ought to be hanging on even now. The pale yellow forms have stood up best to the wet winter and, anyway, I prefer them to the coppery reds and oranges with bouncy, female names.

Most of this family spread widely – too widely for front gardens, when they have to be pruned. In an arhoretum, a Hamamelis can develop its full stature. It can also show its full range, because new forms have been bred from Belgium to America and you need to see a collection in order to anticipate the best.

If you live on a soil without too much lime, try Hamamelis pallida, which is an exqnisite shade of lemon yellow; Sunburst, which has a tinge of green to the lemon; or a dark yellow one called Vesna, which is remarkably scented but has yet to make a mark in the trade. In Japan, these shrubs grow wild in woodland clearings; and althougb they will survive and flower on lime, they are much happier without it and also turn a better colour in autumn. If money and supply were no ohject, I would cboose Sunburst, while noticing that Advent flowers very early and the self-explanatory Goldcrest much later, extending the season through 2½ months.

Witch hazels have nothing to do with witchcraft. Their name means flexible or pliant and the only magic in tbem is tbeir scent, which is strong on a clear winter's day. Under council management they are a marvellous sight, and perhaps it is enough to be able to visit them, even if you cannot grow them. But there is something even better.

We had already admired a fine white Abeliophyllum from Korea and the insiders were being matey with one of the under-gardeners. Turning left, I entered another world. By a grass path stood an evergreen daphne, over 4ft high and wide, smothered in scented flowers of a pale pink.

Sometimes, these close encounters make you want to turn a somersault. In late winter, not far from the beastly old A31, here was a form of the Nepalese daphne bholua, bursting in all directions with flowers of colour and quality which I had never seen before.

There are other, rather sparse forms of this famous shrub from the Indian continent, but this particular variety is highly personal to the arboretum. Its parents were conveyed to Hillier by runners from the hills during a visit to Nepal. Back in Hampshire, they set seed; and Alan Postill, a sharp-eyed propagator on the nursery, noticed how some of the seedlings looked better than others. He selected the best and called it Jacqueline Postill, since when it has won many prizes including a First Class Certificate.

Can you and I grow it? Opinions divide on its tastes and hardiness. Roy Lancaster tells me that it needs a sonth or west wall, that it can be pruned qnite hard, but that it prefers little or no lime. The head gardener at the arboretum thinks Roy might be wrong because he himself grows it on an open slope of chalk above the centre of Winchester. Nonetheless, Roy thinks that readers with lime in their garden should not expect miracles.

At present, I am inclined to follow the arboretum's head gardener, having just seen a flourishing specimen on the alkaline rock garden at St John's College in Oxford; whatever you might expect from that rock garden, it is certainly not the sight of miracles. But daphne Jacqueline Postill is a scarce plant at present, its price ranging between £16 and £25. In mid-winter it is worth anything, not least a visit to Romsey.

Without the Hillier family, without Hampshire county council and without the skill of the arboretum's staff, we would not bave this extraordinary, winter-flowering shrub for which our great-grandchildren will bless us. Forget those grumbles about marigolds, begonias in baskets and love-lies-bleeding on the roundabouts: in Hampshire, a council still knows how to support the best in gardening.

Fishing/Tom Fort

How I mastered a monster

THE epic account of the epic battle is a staple of fishing literature. These descriptions are commonly variations on a standard tbeme: "The rod bucked like a wild horse in my hands ... the reel screamed/shrieked/howled ... the fish leaped skyward, lit hy the sun, like a bar of silver ... the huge tail lashed the water into foam ... a final desperate bid for freedom ..."

This kind of thing becomes wearisome. The trouble is that, while the outcome and the incidentals vary, one struggle with a big fish is pretty much like another. The fish pulls. The angler pulls. The fish dashes around. The angler dashes after it. One side or the other wins. If the angler loses, he swears.

I would not deny that the fighting of the fish is an integral, thrilling part of the aport. It stirs deep responses within us, and is the necessary prelude to the glow of triumph or the hleakness of despair.

But the purest, most intense excitemeot precedes the fight, before the angler does anything much beyond watching and waiting. It is the moment of the take. And I would further suggest that, in its highest form, it must engage the visual rather than just the tactile sense.

This is not to disparage the heart-stopping moment at which the salmoo or trout grabs the fly. But more often than not, this is merely felt, not seen. It may be that, at that moment, you are concentrating hard on your fishing. But you may, equally well, be ruminating on the excesses of the gutter press or the wisdom of privatising the railways.

Contrast this with the responsihilities of the dry fly man addressing a trout which is on the feed. He must cast, spot his fly, chart its progress towards his quarry, and then, as the surface is broken and it vanishes, be ready. If his mind wanders, he is lost. It is a sure het tbat the moment he starts pondering the issue of the female priesthood the fish will rise and he will miss it.

But I sometimes feel that fishing with the humble float offers an even purer pleasure. Pleasing in appearance, even more pleasing in disappearance is how one writer expressed the joy of float fishing with exquisite pungency. Its glory lies in the variations in the manner of that disappearance.

The float may tremble awhile, then move off with steady purpose before slanting into the depths. It may do no more than dip. It may stir almost imperceptibly, then glide away. It may hoh for minutes, before being pulled under. Or it may he jerked from sight without warning. The fisherman waits and watches, shaking under the strain of powerful emotions.

These reflections caoie to me recently, as my favourite crimson-topped pike float circled the backwater. It was a glorious day to be out, with a clean hreeze dispelling the internal fog bequeathed hy seasonal piggishness.

The river, as if content to have turned most of the surrounding countryside into a lake for the previous two months, had retreated within its banks for the time being. But it was still running high and the hackwater was the only spot tranquil enough for my float.

Using an elderly carp rod and an antique ceotrepin reel, I lobbed float and sprat towards the willow tree on the far side. They had travelled no more than a couple of yards when tbe float stopped, vibrated for a second as if conducting an electric current, and shot under. I could see the crimson tip heneath the water, whizzing towards the willow, and I struck.

The rod bucked, the reel whined. No, after what I have said already, I had better leave that bit out. Suffice it to say that after a stern contest, I netted a magnificent small-headed, fat-bodied female pike; gawped at it; thrust it into a keepnet; and ran off to the house to find witnesses.

Plastered in mud, dripping with pike slime and reeking of sprats, I burtled upstairs in search of the infinitely indulgent couple who let me have the run of the place. "I have caught a monster," I bawled. "You have got to come and look at it." They humoured me and came, and – I hope and believe – were properly impressed hy the creature's size and beauty.

I slipped it back alive into the weirpool and, with a flick of its tail, it went off to resume terrorising the lesser species. One does oot fisb on after sucb a triumph, so I went home, singing. The pike weighed 23 lb and was, by half a pound, the biggest fisb I have ever caught.

Write first, live later

Stephen Crane's work pre-empted his life, says ***Anthony Curtis***

WHILE A great many novels and plays derive from episodes in their authors' past lives, the reverse is not uncommon. There are some authors' lives whose future course seems to have been plotted in advance in their imaginative work. Who, for instance, knowing the end of Oscar Wilde, can listen without inwardly shuddering to the fate of Jack's imaginary brother Ernest in *The Importance*?

JACK: He died abroad; in Paris in fact. I had a telegram last night from the manager of the Grand Hotel...

MISS PRISM: As a man sows, so he shall reap.

Wilde was riding high when

THE DOUBLE LIFE OF STEPHEN CRANE: A BIOGRAPHY
by Christopher Benfey
Andre Deutsch £17.99, 294 pages

he wrote that. Not a cloud on his horizon. Yet within five or six years he had been disgraced, imprisoned and had died in a hotel in Paris, his friends informed by telegram.

As Christopher Benfey points out in *The Double Life of Stephen Crane*, no author's imaginative work has ever provided a more accurate forecast of the events of his future life than Crane's. This American writer was a contemporary of Wilde's, and also had a meteoric career. He died aged only 28 in 1900, the year of Wilde's death. The young Wallace Stevens was sent to cover Crane's funeral service at the Central Metropolitan Temple, New York. "Most of the people" he wrote "were of the lower classes and had dropped in apparently to pass the time...The whole thing was frightful".

Yet Crane's place in American literature was already secure ; nowadays no course on the American novel is complete without him. But he still tends to be regarded, especially by us in Britain, as merely the author of that Civil War classic, *The Red Badge of Courage*, a one-book man. By any standards *The Red Badge* is a fine book, a memorable study of initiation into manhood, into life – but there is a great deal more, equally good (see the 1984 Library of America omnibus volume of Crane's work). He produced several fine stories and novellas not directly involving war – outstanding among them are *The Monster, The Open Boat, The Bride Comes to Yellow Sky, The Blue Hotel* – all of which turn nonetheless on violent action.

A black servant is horribly disfigured in a fire saving his master's child and is thereafter socially ostracised. Four men including a war correspondent fight to survive in a lifeboat off the Florida coast. A sheriff returns home with his new young wife and has at once to participate in a shoot-out. A poker-game ends in a brawl and one of the players, a Swede, is killed. Crane is the earliest of the fly-on-the wall school of fiction-writers, making the reader feel that he is totally enclosed in the world of these events. We seem to experience them physically in our guts, just as we experience the emotions of the fledgling recruit John Fleming under fire, culminating in his flight from danger in *The Red Badge*.

Crane was far too young to have fought in the Civil War and had had no direct experience of battle when he wrote that book, yet when it was published to great praise in 1895 such was its air of authenticity there were those who claimed to have served in the same regiment with him. It was afterwards that Crane had real experience of war, and came under fire, as a Hearst journalist covering the fighting between Greece and Turkey and the gun-running during the Cuban insurrection. It was when Crane was trying to reach Cuba that he experienced the shipwreck described in *The Open Boat*. While he was convalescing from the ordeal he began his liaison with Cora Taylor, the madam of the brothel in Florida – the aptly named Hotel de Dream – where he was staying.

Benfey has little difficulty in finding intimations of shipwreck as well as battle in Crane's earlier work. And he points to the fact that Crane's first book, the novella *Maggie*, had a prostitute for a heroine – though Benfey has to admit that the pathetic waif Maggie is poles apart from the ebullient, dominant, Mae West-like Cora who, after Crane had recovered, came to England with him. As man and wife they took over a rambling, decaying Tudor manor, Brede Place in Sussex, where they entertained the local literati including Conrad, Wells and Henry James. There is a famous photograph of a garden party they gave where James is seen with Cora.

This English fling of Crane's as a munificent lord of the manor (while heavily in debt) is pretty well documented; but as Benfey shows there are huge gaps in the earlier years that no amount of research has been able to fill. The first biography of Crane, by one Thomas Beer, has been exposed recently as highly fraudulent. Beer quotes letters allegedly by Crane now revealed as clever fakes. Unfortunately the later book by the poet John Berryman, containing some interesting observations about Crane's extraordinary style, was heavily based on it. The standard later life of Crane by R.W. Stallman does remain more or less intact. Benfey re-interprets the ascertainable facts.

Crane's father was a Methodist Minister in New Jersey who resigned from a fashionable living to become an itinerant preacher. The cause of his fall from grace remains obscure, as does that of the mental illness suffered by Crane's mother. His father's death when he was nine and his mother's subsequent madness devastated the future novelist's childhood.

Benfey, a poet who teaches American literature at Mount Holyoake College, freely admits to many crucial biographical gaps. He makes up for them by scrutinising the work with exceptional care. He focuses on one or two hitherto neglected aspects, pointing to some very short stories about babies by Crane which de-sentimentalised the notion of infancy and anticipated the findings of psychology, and he gives some welcome attention to Crane's almost totally forgotten poems, *Black Riders*, relating their curious mode of presentation, entirely in upper case, to newspaper headlines and, more distantly, to the arts and crafts movement.

This is fascinating stuff – even if it does not render Crane's cryptic poems any easier to read or understand. Indeed Benfey calls upon a diverse number of disciplines and different authorities to illuminate Crane's texts, from Géricault, the painter of shipwreck, to Winnicott, the child psychologist. Let us hope his lively book will win for Crane some of that wider readership he so richly deserves.

Stephen Crane as a war correspondent in Greece in 1897

A life wrapped in celluloid

Stephen Amidon *on the career of David O. Selznick*

PITY THE poor producer. Actors, directors and even writers may get lasting credit for a memorable film, but the person entitled to pick up the Best Picture Oscar is usually a nameless, faceless creature. Only a few producers have been able to reach the level of a Gable or a Wilder in the filmgoer's imagination. And, as David Thomson makes clear in this comprehensive biography, none was able to stamp his imprimatur on films more deeply than David O. Selznick.

If anyone was ever destined to be in the film business, it was David O. Born in 1902 to the pioneering film magnate Lewis Selznick, he was his father's right-hand man by the age of 14, writing memos, pampering starlets and even trying his hand at production. When he was 20 "Pop" went bankrupt, forcing David to find his way in the big bad world. He ventured as far as MGM, where he was taken on by his father's old rival Louis B. Mayer, who suspended his hatred of Selznick père after recognising the spark of genius in his son. Indeed, David was soon to marry Mayer's daughter Irene in a dynastic marriage worthy of a Shakespearian history.

But Selznick was restless in the studio system. Though he excelled at MGM right from the start, he moved several times in the next few years, working at just about every major in Hollywood by the time he was 32, lending his hand in the process to such classics as *King Kong* and *David Copperfield*. In 1935, Selznick decided to leave the studio system altogether, becoming (along with Goldwyn) the model for independent producers. His first few efforts were worthy, especially *A Star is Born*, which David more or less wrote. The Selznick style was evolving – lush, sensitive films, bolstered by cogent emotional narrative and a genius for casting.

It was a style that was to reach its apotheosis, of course, with *Gone With The Wind*. Not surprisingly, Thomson's biography reaches its high point here as well, depicting the conjugation of visionary grace and rampant ego Selznick employed to complete the picture. Although the story has been told before, it seems to make perfect sense when seen in the context of Selznick's career. The sentimentality, the escapist grandeur, the utter *flimness* of the project can all be seen as the culmination of a life that began wrapped in celluloid rather than linen.

To his credit, Thomson does try to squirt some cold water on a few of the *GWTW* myths, particularly in hinting that the famous meeting of Selznick and Vivian Leigh during the burning of Atlanta sequence might not have been as utterly serendipitous as it was made out to be. Also, the legendary delay over getting the project going had as much to do with Selznick's natural prevarication as it did marketing genius. Yet the reader still comes way with the sense that, for this one film anyway, Selznick achieved the pinnacle of the producer's craft.

SHOWMAN: THE LIFE OF DAVID O. SELZNICK
by David Thomson
Andre Deutsch £20, 792 pages

After that, of course, everything was bound to be anti-climactic. To be sure, there were big films to come, such as *Rebecca* and *Duel in the Sun*, but they all paled in comparison with *GWTW*. Selznick the showman felt this more acutely than anyone – "I know my trouble," he remarked in 1945. "I know when I die, the obituaries will begin 'David O. Selznick, producer of *Gone With The Wind*, died today' and I'm trying like hell to rewrite them."

Just as inevitably, Selznick's fame (and his dependency on Benzedrine) created something of a monster. The infectious energy became more malignant. His womanising – he tried to lay everything in his Culver City office except the carpet – finally caused his marriage to break up. Irene had been a devoted wife but she was also a Mayer. She took Selznick to the cleaners, leaving him in debt for the rest of his life. Despite David's subsequent marriage to Jennifer Jones, Irene would haunt him, Rebecca-like, for the rest of his life. Though there were a few more films left in him, by the mid-1950s David had, like his father-in-law, become so marginalised that a TV documentary about MGM barely mentioned either.

Thomson's biography is remarkably complete, which is hardly surprising when you consider that he is the first biographer to have complete access to Selznick's voluminous correspondence. (A compulsive writer who would compose dozens of memos in the course of a working day, Selznick once cabled Irene simply to tell her he had just had a haircut.) Indeed, the book is flawed by its extreme length. Seven hundred pages is simply too much, especially for a character whose star burned bright for a relatively brief period. The wearying accounts of Byzantine *financial* deals and overly detailed survey of his later years eventually wear the reader down. Selznick may have been able to make *GWTW* twice as long as its rivals, but Thomson does not have the finesse to pull off a similar feat.

Still, for those willing to stay the course, Thomson well captures the manic, almost demented personality needed to produce a big film, showing how David's drug-taking and compulsive gambling were almost necessary by-products of his endeavours. The book also provides a comprehensive picture of the bleak realities of the studio system; Selznick had to become something of a pimp to survive, renting out contract players to the majors to pay his bills and ensure distribution rights.

And there is also a restrained smattering of the obligatory wry humor – did you know that *Gone With The Wind* had as working titles both *Tomorrow Is Another Day* and, astonishingly, *Tote The Weary Load*? Most memorable is the time Selznick instructed an author he wanted a rewrite. When the writer asked his producer what specifically needed changing, Selznick replied that he would have to get back to him – he had not yet read the script. Now there's a born producer for you.

Fiction/**Isabel Quigly**

Homely view of the Bard

SHAKESPEARE wrote in a sonnet full of ironic rudery: "My mistress' eyes are nothing like the sun." With hair like black wire and dun-coloured skin, she even seemed, poor woman, to have halitosis. Husbandly rather than lover-like frankness? Robert Nye thinks so.

Anne Hathaway, eight years the elder and no match for her husband's London life, is the Dark Lady of the sonnets, according to *Mrs Shakespeare*. The Stratford boy married in a hurry at 19, had three children before he was of age and two years later bolted to make his fortune. He made it and in the end came home, but in the meantime left Anne with a one-parent family and the in-laws.

When she comes to write about him, he has been dead seven years and she still has no notion of his greatness or even his fame; as for his immortality, the thought of it never crosses her mind. Yes, he did better than might have been expected, but in a raffish world and a dubious cause: the theatre and poetry. Poetry is not for her, any more than the theatre is: "Shall I compare thee to a summer's day?" her husband asks. "No thanks!" says she.

And yet, though she has never read him ("I read my Bible"), she loves the memory of him – his slyboots ways and bad teeth; their long separations and their week of offbeat sex on her single visit to London; his thinning hair, his passion for sugar. Sir Smile, the dirty devil, the crafty crow, my bad husband, as full of secrets as a cow'e tail is full of hurrs, the magpie man, the darling: all these he may be and her tenderness is oblique.

But as the everyday jottings of a woman who has lived, unaware of it, close to genius, *Mrs Shakespeare* beguiles and persuades. It is winning, too, and amazingly easy to read, since almost every sentence is given a new line of its own, and so it comes out like small barks of monologue, all sharp commonsense and funny, unexpected and touching no-nonsense.

MRS SHAKESPEARE
by Robert Nye
Sinclair-Stevenson £14.99, 216 pages

A DOUBLE LIFE
by Frederic Raphael
Orion £14.99, 374 pages

EINSTEIN'S DREAMS
by Alan Lightman
Bloomsbury £11.99, 179 pages

A Double Life, a straightforward, well-tailored novel, with chapters alternating between past and present, is a hard grind by comparison. Doze a moment and you may miss a vital clue, for this is a psychological detection. Who is the narrator and what the dickens is he up to? Dickensian only in its proliferation of plots and characters, the novel lacks humour and humanity, although Mrs Shakespeare might have seen it as weirdly clever and desperately observant.

Over-observant, indeed. Nothing happens or is noted without dangling suppositions and improbable subtleties about which, the characters all being coldly watched by an unsympathetic narrator, it is hard to care. Guy de Roumegouse is a French diplomat with good credentials from his Resistance days and a notable lack of chums in the present. Nobody seems to like him and it is soon clear why: he is unlikeable.

For no very clear reason be always does what he doesn't want to do and says what he doesn't mean, marrying two women he neither loves nor wants, the first a bitch called Berthe, the second a dim one-time nurse called Maureen. Prostitutes, one of whom, perhaps ironically named Pia, is murdered with his wife'e coat in her room, feature importantly on the edge of his life.

Frederic Raphael's writing is eo tight-packed it demands a response of warmth and interest which this novel makes it hard to give. Paradox is his main stylistic weapon or weakness, a see-saw of syntax and opinion balanced between this and that, the double life of the title in action. It is strictly realistic, nonetheless; and realism that does not convince defeats its own end: you can see, even appreciate, every detail, yet fail to find the spirit, the inner life.

A relief, after so thick a pudding, to come across something as endearingly short, airy and irrational as *Einstein's Dreams*, which is described in a rather far-fetched way as fiction. A series of short essays on the theme of time, it is teasing, stimulating and remote from direct experience, yet set firmly in particular times and places (1905, the year in which Einstein was working ont his relativity theory; and Switzerland).

Sometimes it goes too far over the temporal top and reminds one too clearly that it is fantasy, but mainly it keeps within the limits of what seems like straight-faced discussion and makes one grateful for the grace of its writing; indeed, it seems the sort of book to hoard and treasure for bleak times and empty spaces. Salman Rushdie was reminded by it of Calvino's *Invisible Cities*. A good compariaon: both have the same sweet unreason.

Upstart capital city

REVOLUTION could never grip Berlin, Lenin predicted, becauee Germane would only storm a railway station after first queueing for platform tickets. Nevertheless, as this engaging book shows, Berlin has had one of the most tumultuous lives of any European city in modern times. Today, it remains a barometer for European politics and culture.

Unlike Rome or London, it was a never a natural capital. A medieval city fought over by robber barons from the Brandenburg marshes, it was thought a provincial upstart by lovers of Munich, Dresden and Frankfurt even in the 19th century. Michael Farr'a achievement here is to explore how its civilising went hand in hand with the military growth which proved its downfall. So the work of the great architects Knobelsdorff and Schinkel, who determined the tone of the city from the 18th century with buildings like the opera house on Unter den Linden, the Altes museum and Potsdam's Sans Souci Palace, is seen against the backcloth of the warlike escapades of the Hohenzollern emperors.

Farr is inspired on the contradictory character of this clan and its city. In the 17th century, every fifth inhabitant was a soldier, yet Berlin's tradition as most tolerant and cosmopolitan of German cities was already established, and in 1700, after an influx of Protestant refugees, one fifth of the people were French. Tiny, fat Elector Frederick William was a liberal but a bully who kicked women in the street and chased men with a cane. He collected giant soldiers for whom he swapped the city's artistic treasures with other monarchs. His favourites were a 7ft Irishman and a Norwegian smith; all were too precious to risk in war.

BERLIN! BERLIN! ITS CULTURE, ITS TIMES
by Michael Farr
Kyle Cathie £18.99, 216 pages

His son, Frederick the Great, used his soldiers but always took a flute on his campaigns and composed sonatas between battles. For all his Prussian nationalism, he spoke only French and under him Berlin acquired the elegance which Frederick envied in Versailles. The love affair with France continued; during the Franco-Prussian war William I suspended his French chef, but reinstated him after sampling the menus of his German successor.

The war ended in 1871 with Berlin capital of a united Germany. By 1900 it had become a mecca for artists and intellectuals as never before. Farr is a gifted raconteur but not a cultural commentator, and his anecdotal style fails here. But the hey-day of German expressionism and of the 1920s explosion of cabaret and naughtiness – Berlin had in perverted sex what Paris had in straight sex, according to one high liver – makes a naturally compelling story.

There is the same imbalance between the sharp historical analysis of the Nazi and post-war years, and the sketchy cultural criticism. Redeemed however by delightful period photographs, cartoons and engravings, no Berlin lover would want to miss this book.

Jackie Wullschlager

Bedside books

WHAT a long way we have come. Sex was once a private affair whose existence could not be acknowledged without a blush or a wink. Today it ranks with fashion, gardening or home improvements as a leisure occupation that supports a multi-billion-dollar industry.

Paul Ferris's book *Sex and the British* (Michael Joseph £18.99, 337 pages) is about how the British have over 100 years learned to accept sex as something you get taught on television. He has heroically consulted a great many sources, collected a great many anecdotea and stitched them together in a stylish way.

Yet his history proves as indigestible as a double helping of steamed jam roll. Better not to treat it as a narrative, but as an anthology to taste from the index backwards. A bedside book, in other words.

Helen Fisher, an anthropologist, has written the ancient history of sex in *Anatomy of Love* (Simon & Schuster £16.99, 430 pages). She takes us back to the caves and suggests that adultery is the consequence of a genetically-transmitted chemical change in the brain which occurs after four years of passion (not seven). It may be comforting – or not – to learn that modern sexual licence is just *homo sapiens* reverting to type.

Men's adultery is old hat, so publishers are interested in women's. In *The Erotic Silence of Married Women* (Bloomsbury £16.99, 304 pages), Dalma Heyn, an American feminist, talks to a number of women who tell her that sex outside marriage is more fun than sex within and that shopping can be just as exciting. Her title is a tease, her book a bore.

Lotte and Joseph Hamburger have a more promising subject in Sarah Austin, a respectable Victorian woman who falls in epistolary love with a Prussian bounder, Prince Hermann von Pückler-Muskau, whose saucy memoirs she has translated and censored. It is sad to see such innocent affection exploited in *Contemplating Adultery* (Macmillan £14.99, 314): one's first reaction is to wish that poor Mrs. Austin's unrevealing letters had never come to light.

Few writers are good at sex, they say. They are right.

Christian Tyler

Dublin's 'Juno' in Belfast

***Malcolm Rutherford** discusses the pertinence of O'Casey's play today*

THE Gate Theatre Dublin has been appearing this week at the Grand Opera House in Belfast with a wonderful production of Sean O'Casey's *Juno and the Paycock*. The production by Joe Dowling is not new; it was first performed in Dublin a good five years ago and has since been acclaimed around the world. But as Michael Barnes, the artistic director at the Opera House, explains, this is the first time that it has been possible to get it to Belfast.

So what do the people of the north make of a piece which has plenty of relevance to present troubles? They have flocked to it in droves. The Opera House, a fine theatre which seats about 1,000, has been booked out all week. And, of course, they recognise it as the masterpiece it is.

Juno is not a nationalist work. If anything, its attitude to politics is a plague on all the factions. When O'Casey was making his mark in Dublin in the early 1920s, the internal troubles were intense. Political infighting and fanaticism are strewn throughout the play, yet the underlying theme of *Juno* is poverty and the attempt to live above the breadline: sectarianism simply makes life even more difficult.

There is also something about the play which goes deeper. Why is it that people are poor? Certainly the Boyle family would be better off if the Captain consumed less drink and spent less time with his friend Joxer Daly? Why are the women on the whole so much more responsible than the men? Why do they set double standards when the women occasionally fall from grace? See the way the best as well as the worst of them turn on the young Mary when she becomes pregnant. Why are the Irish so curiously fey, for ever lilting into song and fantasy however deep their troubles? Is it escapism or is it a way of life?

Then there is the very sharp attack the futility of religion, as in the famous lines: "Mother o'God, Mother o'God have pity on us all! Blessed Virgin, where were you when me darlin' son was riddled with bullets," the last words being repeated like a prayer. Why does the religion like the political fanaticism remain so strong? And why are there some Irish, like the IRA, who appear to have no sense of humour? The gunmen in *Juno* behave like stage dummies.

Again it is striking that even when Captain Boyle is out of work the Boyle family is not absolutely poor. It survives, has aspirations, tries to dress well. Mary has been through school and is reading Ibsen. The women take the Captain's behaviour more or less for granted.

In short, this is a very complex society. Every character is different, and the women are as different from each other as they are from the men. Few of the questions raised have changed much since the play was written. They seem as relevant in the north as in the Republic, and watching the play in Belfast the audience had no sense of estrangement. In fact, they seemed thoroughly at home.

Two footnotes. Joxer, the layabout sponger, is usually played with a degree of sympathy. Here, Mark Lambert plays him as an out-and-out waster. The mood of the piece is realistic, not sentimental. I also think *Juno* would be an even better play if the final drunken exchanges between the Captain and Joxer were dropped, stopping with Anita Reeve's magnificent Juno crying for an end to "this murdherin' hate".

The production moves to Cork, then from March 15 tours to Chichester, Bath, Cardiff, Reading, Blackpool, Norwich, Birmingham, Richmond and Newcastle.

Anita Reeves, Niall Buggy and Mark Lambert in the Gate Theatre Dublin's production of 'Juno and the Paycock'

Where Angels fear to tread

***Antony Thorncroft** looks at the state of West End theatre*

ON MARCH 25, at the HQ of the Society of West End Theatre in Covent Garden, a training seminar will be held. The aim is to initiate aspiring impresarios into the arcane mystery of the theatrical producer. It may seem odd that men and women should need instruction on how to lose others people's money, bnt the West End is desperate for more producers, and if the seminar can unearth another Cameron Mackintosh, or even a Duncan Weldon, it will have paid for itself a million times over.

On the surface the West End is weathering the recession rather well. Audiances last year just about equalled the 10.9m achieved in 1991, the second highest total on record. But many of these theatre goers will have been occupying a discounted seat and the last six monthe have seen audiences slip.

Spurred on by falling receipts the entire West End brotherhood – theatre owners, producers, even actors – is drawing together in an unprecedented show of co-operation, with the objective of conjuring up the perfect scenario: well financed producers with a good supply of new plays queueing up to rent theatres.

Change is inevitable because traditional Angels are becoming extinct. The flow of individuals prepared to fritter away £1,000 or more on a stake in a show which nine times out of ten will fail financially, has all but dried up. The problems of Lloyds of London, coupled with a rise in prodnction costs which makes a straight play a £250,000 bet and a musical anything up to a £3m gamble, have scattered even the most stage struck theatrical backers.

New sources of finance are being explored, notably American, Japanese and even City syndicates, but the West End now relies for its precarious living on plays and musicals which started out in the subsidised theatre, or on limited runs of revivals built around star names by Duncan Weldon or Peter Hall. Naw producers, tapping new sources of funding and, ideally, new writers, would be most welcome.

In the meantime the theatre owners, reluctant to see their properties lying dark, are doing their bit to develop product. Stoll-Moss, which owns 11 theatres, has just recruited Nica Burns, best known as a comedy impresario, to seek out new plays for its smaller, 400-seater plus, theatres, which are the accountants' nightmare. Stoll-Moss might even commission new works: it already takes a small stake in many of the productions renting its theatres.

This involvement by theatre owners parallels a trend by the more successful producers to acquire theatres. Andrew Lloyd Webber's Really Useful company has just spent around £3m acquiring a half share of the Adelphi Theatre, which will present his new musical *Sunset Boulevard*. He already owns the Palace and the New London. Cameron Mackintosh has joined forces with Lord Delfont and now owns the Prince Edward, the Prince of Wales, and the Strand. Michael Codron owns the Vaudeville and manages the Adelphi, and Eddie Kulukundus is a co-owner of the Duke of York's and the Ambassadors. We are returning to the post-War era when moguls like Prince Littler and Bernard Delfont put on shows in their own theatres.

The arrival of the new theatre owners, especially when they are multi-millionaires like Mackintosh and Lloyd Webber, has brought a much needed infusion of cash into the West End. Inspired by the thought that he will not be paying rent at the Adelphi, Lloyd Webber has embarked on a £3m refurbishment of the theatre, while Mackintosh has insisted on a £3m revamp of the Prince Edward, returning it to its 1930s glory and hoping to attract the major musicals which are the gold spinners of the West End: the Broadway hit *Crazy for You* starts previews there next week. And Stoll-Moss will be investing £3m on improvements across its theatre chain this year.

George Biggs, director of Maybox, which owns seven West End theatres, has no plans to become a producer, but is happy to join in the current blurring of responsibilities. Maybox underwrote tha losses at its revamped Donmar Theatre until producer Sam Mendes could find alternative backing for the small venue, which can never surviva on ticket sales alone. Like Stoll-Moss, Maybox will increasingly carry plays for a few weeks if they fail to reach the agreed box office revenue. This is good business sense. If there is no new play waiting in tha wings, the current production, even if playing well below capacity, brings in some income through bar and snack sales. Left dark it could cost £12,000 a week to maintain.

With virtually all the theatre buildings in the West End now architecturally "listed" thay are safe from commercial predators, and only one is on tha market, the Royalty, owned by Stoll-Moss. It is on the wrong side of the tracks, but the success of *Cats* at the equally remote New London supports the view that there is no such thing as a bad theatre, only a bad show. There have been three offers for tba Royalty; nona from existing tbaatre owners.

Anyone becoming a West End theatre owner will join a closely knit community co-operating to survive. It beggars belief that central London can support fifty tbeatres, but despite the prophets of doom, who include Duncan Weldon, the vast revenues from the successes – around £350,000 a week from *Miss Saigon* – will continue to weave their spell. The number of theatres is actually destined to grow this year. The Criterion has just re opened and the Savoy soon starts up again.

There is also a growing interest in the Lyceum, which was one of the finest theatres in the West End. It has been a wreck for years and its current owner, the financially embarrassed Brent Walker, has let it decline into total disrepair. The cost of refurbishing it, estimated at around £15m, deters potential bnyers, but, in another example of how far the barriers between producer and theatre owner, batween tha subsidised and the commercial theatre, between the Arts Council and the West End, have broken dowu, there is now serious discussion of an ambitious, indeed dramatic, solution.

Like much else in the arts it involves Millennium money, gathered in through the Lottery. The government would use it to pay for the renovation of the Lyceum. This could then become London's dance theatre (and perhaps the home of the English National Ballet). Alternatively, Stoll-Moss would rent out the Theatre Royal, Drury Lane, to fit this role: it would be *ideal* for the Royal Ballet which will be homeless in 1997 when Covent Garden closes for restoration. As compensation Stoll-Moss would take on the Lyceum as a home for musicals. The will is there for mutual co-operation; all that is missing is the money.

Off the Wall/Antony Thorncroft

Rothschild wins Lottery

THIS HAS been a bad week for Jocelyn Stevens, the rumbustious boss at English Heritage, who has had years of experience at rough riding over opponents. In an unexpected show of muscle his London Advisory Committee, headed by Sir Hugh Cubbitt, squashed Stevens plan to hand over control of Grade Two listed buildings in the capital to the reluctant boroughs, most of whom have neither the money nor the knowledge to replace the respected English Heritage team of experts.

Now I can reveal that he has failed to get his hands on that slice of the Lottery money which is to be allocated to shoring up tha heritage. Instead the National Heritage Fund, headed by Lord Rothschild, will play the good fairy. Tha sum involved is reputed to be £70m a year. (This means the Government anticipates that the revenue from the Lottery, after prizes, tax, and expenses, will be £350m a year, to be split five ways between heritage, arts, sport, the Millennium Fund, and charities).

Perhaps the choice of the NHF was signalled last November when the Heritage Secretary, Peter Brook, announced that its grant, currently £12m a year, was to be reduced over the next two financial years. He knew it will have its hands full allocating the much larger sum.

The National Heritage Fund must somehow distinguish between its two pots of gold. Probably the Lottery money will be earmarked for a dozen or so major good causes in the heritage involving capital projects. It might be good politics for the NHF to hand some over to English Heritage which needs a multi million pound donation to realise its ambitious plans to improve its most public responsibility, Stonehenge.

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The Royal Albert Hall is on the move: literally. For the first time in its 120 year history it is empire building. The object of its expansion is the South Steps, the rather grand staircase that leads from Prince Consort Road towards the back of the Hall.

In themselves the steps are purely a thoroughfare but underneath are wide open spaces currently used to garage cars. If the Albert Hall can acquire the site it can use the space to transform its back stage facilities, allowing better access for stage crews, more storage space, plus dressing rooms and bars.

Fortunately the Hall can offer a fair price. Since the arrival of chief executive Patrick Deuchar it has gone on a marketing offensive. It no longer waits for the phone calls from deluded divas, desperate to fritter away a lifetime's savings on hiring the Hall, but sells its attractions world wide to star names.

Hence the importance of the Bolshoy season which ends tomorrow. It has played to 80 per cent capacity and proved to the world that the Albert Hall can successfully handle long seasons by the biggest companies. Among the stars set to perform in the Hall for the first time is that indubitably big name, Victoria Wood.

But there is one odd consequence of this new success. The Albert Hall is a charity. Its 300 debenture holders cannot receive a dividend. Instead any surplus goes back into making the Hall more comfortable. In 1987 just £392,000 was spent on improvements: this year Deuchar hopes to invest £1.78m. At this rate will we will all be sitting on Louis XV chairs and eating lobster from silver salvers by the time the Bolshoy comes back for another dollop of hard currency.

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The Treasury seems to think that it can solve the nation's financial problems by selling off its art. It has made a grab for the government collection – and been firmly rebuffed by the Department of Heritage – and is now sniffing around the British Rail Pension Fund's collection of art.

Its enthusiasm for the government's pictures is bizarre. These are the works of art that decorate government ministries and offices and our embassies abroad. Many of the 16,000 works are rubbish. The valuable works are creamed off by cabinet ministers, from the PM down, and by the top embassies. They would hardly be happy to lose this perk of office.

The most interesting part of the collection is the contemporary British art acquired by curator Wendy Baron with a tiny budget of around £100,000 a year. Much of it is of high quality, but only of interest to British collectors and would fetch little on the market. Disposing of the government collection would be a philistine act, causing a tremendous commotion, and very counter productive.

In contrast the British Rail art is among the best in the world. It was acquired by its Pension Fund in the early 1970s when the return from traditional forms of investment looked bleak. The £40m allocated has proved that rarest of rare things, a good investment in art. Two-thirds of the 2,200 objects acquired have already been sold, including the Impressionists, silver, Japanese prints and Old Master drawings, and they produced a reasonable return of 6 per cent a year after inflation.

The Fund still holds its best Old Masters, antiquities, and medieval works of art, including Van Dyck's wonderful portrait of the daughters of Charles I, as well as works by Goya and Tiepolo. But there are still many legal obstacles to be overcome before the Treasury gets its hands on these marvels.

*

It looks as if the British Commonwealth Library has been saved for the nation. An appeal, organised by Sir Patrick Sheehy of BATS, has raised £2.4m of the £3m needed, thanks to generous donations from Peter Moores, Garfield Weston, and others. Cambridge University Library has offered a home for the books, and the National Heritage Fund, which was originally asked to stump up the whole £3m, may now well make a donation to help complete the appeal.

This is sad news for Sotheby's which already has in its vaults the Cyprus collection from the Library, the best in the world, and valued at £500,000. One tiny heave and the books will be on their way to Cambridge.

Poetry in painting

IT IS too easy, in reactionary and fogeyish times, for the critic to give the impression that he is against all art that is difficult, openly experimental, avant-garde, simply because it is, well, difficult, experimental... But two concurrent exhibitions in the same building afford some countervailing encouragement and relief.

Hamish Fulton, with uncharacteristic long-windedness, calls his latest exhibition at Annely Juda "only art resulting from the experience of individual walks", but we should not be put off. Here again are the photographic works that marry image to text. And here are the drawings: the mountain silhouettes, again with allusive and evocative texts; and the texts that are the entire work, the letter-forms painted directly on the wall.

It all sounds conventional enough, and within its particular modernist orthodoxy. Fulton is not the only artist to present work of this kind, and in such a way; like his sometime fellow-student and travelling companion, Richard Long, he derives his work from the walks he takes – which might be the far wilderness or the domestic countryside, the far side of the world or no farther than the Home Counties.

The conceptual proposition is that the walk itself, set to a rigorous, self-imposed programme – "no talking for seven days", for example, or "fourteen days walking, fourteen nights camping", or "a continuous 106 mile walk without sleep" – constitutes a work of art in itself, an act defined and realised, a palpable line, albeit instantly ephemeral, traced across the surface of the earth. The work in the gallery is something quite else, resolved in its own terms, the spring of imaginative recollection or sympathetic association.

Such things are easy enough to mock, but the very mocking too easily misses the point. What makes Fulton so special and distinguished in his field, as it were, is his disciplined acceptance of the rules and limitations of what he does. He makes no alterations where he goes, builds no cairns, marks out no lines, nor brings back sticks and stones to set out in circles in the gallery. He is no sculptor, though he responds acutely to the sculptural qualities he confronts in the natural world. There is no fuss, no dissimulation, no self-parade.

If he called himself a poet rather than an artist, even though one of a peculiarly visual nature, he would perhaps encounter less vehement prejudice of the kind that would ask: "what kind of art do you call that?" The poet, after all, is one who takes his path through life, with his notebook in his pocket and images in his head, his poem the distillation of his experience, his images but metaphors, the purest of conceits.

Downstairs, Leon Kossoff fills Anthony d'Offay's principal gallery with a group of recent drawings, of the nude and the portrait head, and of urban landscape and architecture, most notably of Christchurch at Spitalfields. Kossoff is, with Frank Auerbach, outstanding among those figurative painters of his generation who have continued in the tradition of direct, intense and expansive expressionism, after the example of David Bomberg, who taught them in the years just after the Second World War.

The mark, the intuitive gesture is all, to be trusted absolutely, a romantic commitment to canvas of immediate vision, an act of faith. But nothing in art, true art at least, is ever quite so simple and arbitrary. Beyond the surface image and the apparent flurry of marks lie repetition and reconsideration, thought, decision and start again. Was there ever an accident in art that was not contrived? To look into these rich, active and complex drawings is to begin to recognise a profound deliberation and authority. The charcoal runs across the surface just so, the pressure delicate and exact the image achieved, resolved, beautiful.

William Packer

Hamish Fulton: Annely Juda Fine Art, 23 Dering Street W1, until March 6. Leon Kossoff: Anthony d'Offay Gallery, 23 Dering Street until March 6

Leon Kossoff: 'Pilar No 1', 1992; charcoal on paper

Radio/B.A. Young

Imperial threads

STARTING this week, the World Service is to run, over the next two months, a *Spotlight on South Asia*, about the Indian sub-continent and its neighbours. In four programmes on successive Mondays, John Renner will examine affairs in India, Pakistan and Bangladesh. This week's, *Division and Identity*, begins with a recording of Nehru's promise that the Indians will "redeem our pledge" – a promise at once torpedoed by the Hindu-Moslem division that gave birth to Pakistan, and subsequently Bangladesh.

Situations in these three nations are sharply scrutinised, with telling interventions from local voices. Next week Renner will consider social matters, and the week after, the "buddled masses" in the regions of great poverty, with a view of the causes and the conceivable cures.

There will be features and plays from the same countries too, including – on St. Valentine's Day! – a Sanskrit tragi-comedy, *Hayavadana*, where rivals for the same woman each cut their own heads off. The goddess Kali puts them back, but unhappily she gets the heads on the wrong shoulders...

The Imperial thread was tugged again on Friday in Radio 3's *A Future for Their Past*. Christopher Hope, a native South African, presented other South African writers, black and white, on the future of South African writing after the end of apartheid. What shall we have to write about seemed to be the principal question, and the main answer was the past. Lately, stories of repression and resistance, said J.M.Coetzee, had seemed more important than inventive fiction. Free from censorship, the South Africans had to learn about themselves – especially the blacks, whose history was mainly recalled from their conflicts with the invaders. Next week Radio 3 will give five *South African Snapshots*, to include work by some of the contributors to this programme.

Radio 3's Sunday play this week was a subtle piece by David Pownall, *Dreams and Censorship*, that contrived to include in its dramatis personae St. John the Divine, King James I and William Shakespeare. The King (Hugh Ross) is anxious that the new English Bible shall not include the Book of Revelation lest it encourage revolt. Shakespeare (Edward Petherbridge), whom the King calls Willy, is directing a company in the events that took place on Patmos, where St. John (Robert Stephens) has retired, and where the Romans are to crucify two vestal virgins, one of them played by randy young Prince Charles (Gary King).

The arguments that connect these events are as entertaining as they are interesting, even if sometimes as historically dodgy as (say) *Henry V*: they lead properly to the inclusion of Revelation in the King James Bible that we know. The playing throughout is first-class under Eoin O'Callaghan's direction.

Good Wives (Radio 4 FM, Thursday) is the sequel to Alcott's *Little Women*, which has been dramatised in six parts by Marcie Kahan. We begin with Meg's wedding to John Brooke, and go on to Amy's disappointing day out with the young ladies of her drawing class, that only one of the invited dozen attends. If you enjoyed *Little Women* you will enjoy this, for the girls seem hardly to have grown up at all. Marilyn Imrie directs, and Marmee is no less than Gayle Hunnicutt.

The Saturday play on Radio 4 was David Halliwell's *Crossed Lines*, that began with a chap being offered £25,000 by a strange woman on the telephone, and went on as improbably for 90 minutes. The lucky guy was Ian Hogg and the director Philip Martin.

■ Richard Imison, one of the best influences on radio drama, died from cancer last week. He had been the BBC's script editor for almost 30 years, later its deputy director of drama.

ARTS

'Tombeaux': a busy ballet from Bintley

Clement Crisp reviews the latest work created for the Royal Ballet

TOMBEAUX is David Bintley's new creation for the Royal Ballet, given its first performance on Thursday night. It is set to Walton's *Variations on a theme by Hindemith*, and has design by Jasper Conran. It is a plotless piece, its style academic, and it looks on first viewing as if Bintley has said to his public: "You like steps? Then here are steps, lots and lots of steps". There is a buzz of activity, a chatter and clatter of movement, that is rather like being trapped by a compulsive talker – one of those monsters who never seem to draw breath and never, ever, tire.

As a dance-maker Bintley has unusual facility. Invention is never lacking, nor ideas, nor, indeed, a quick response to music and dramatic situation. *Tombeaux* is fluent in its choreography, but my initial response is to wonder what it seeks to show, other than Viviana Durante, Bruce Sansom, a quartet of men and ten women, being very busy. The title implies a memorial homage – as Walton to Hindemith – but beyond a slight and passing similarity to Ashton's *Scènes de ballet* (whose message of succinct classicism Bintley has not received), I can see no relevance.

The piece is over-decorated: a dull front cloth and three gauzes (trees, a lion's-mouth fountain, a wash of green) do little to establish mood. Something more sombre is suggested by the girls' handsome tutus – Durante chic in black; the attendant women with blue edges to their black skirts – and the men are unflatteringly garbed in funereal long-johns, their arms bare.

The score, a theme with nine variations and a closing fugue, has guided Bintley – his musical responses ever alert – but the result is oddly inconclusive. The dance has a nervous pulse. Pas de deux for Durante and Sansom look as if the choreography is seeking increasingly messy and tense ways for a man to manipulate a woman.

The writing for the attendant groups is by turns dutifully academic or hyper-active. There are eye-catching groupings as Bintley disposes his forces with real felicity, and his rather conscious inventiveness ("Here's something new!") provides sharp imagery. I admired a thematic phrase in which Durante, supported by Sansom, took a walking step which closed into a fifth position: the effect was inevitable, vivid. The end of *Tombeaux* is ravishing as, on an otherwise empty stage, Sansom runs from Durante in a widening circle and leaves her in touching isolation.

The abiding impression of *Tombeaux*, though, is of splintered patterns and choreographic stresses. It is driven dancing, uneasy in manner – the short-breathed musical form may have encouraged this response – and curiously arid. It invites, and receives, quick, bright, small-scale dancing from its cast.

Tombeaux is at the centre of new Opera House triple bill which begins with *Firebird*. Our Fokine inheritance – and, for that matter, the Massine repertory – has continuing relevance and importance for dancers and audiences, and the Royal Ballet possesses authentic stagings of masterpieces which it has a duty to show. But if *Firebird* is to be understood today, it must be better done than on Thursday night. With the exception of Fiona Chadwick, flashing brilliantly through Kastchey's garden as the Firebird, casting was underpowered, and this magical vision of Holy Russia was obscured by meaningless and routine performance. Serious coaching is needed.

The evening ended with William Forsythe's *In the middle*. Sullen, repetitious, noisy, it offers the angry physical attitudes you might expect to find in the playground of a tough, run-down comprehensive school. I find it sad to see Darcey Bussell being beaten up in these surroundings: she is too valuable to waste on such brutalisms.

This triple bill is repeated at Covent Garden on Feb 17, March 10,16

Alastair Muir

Viviana Durante, in a chic black tutu, and Bruce Samson in not-so-chic long-johns

Best troupers in the world

As they return home Alastair Macaulay pays homage to the Bolshoy dancers

THE Bolshoy Ballet brings its 37-day season at the Albert Hall to a close on Sunday. Dire rumours about the bleak financial conditions that the company had to endure were rife; and some of them were surely true. And yet the company showed few signs of wear and tear. How they gave! For seven performances a week, the Moscow dancers kept returning to the Albert Hall stage, generous and expansive and open. They are the best troupers in the world.

How they keep up their verve and good spirits is a mystery. Yuri Grigorovich's productions are blatantly weak: they do not tell their stories clearly; they insert meaningless "pure-dance" waffle where some basic gesture would have been far more expressive; and they thwack out a dreadfully limited dance vocabulary for oomph impact. (The fact that they have been reduced to highlights "suite" format here this season has done them little harm, because they are really just a string of highlights anyway.)

Then there is the puzzling way in which the Bolshoy replaces one ballerina with another without making an announcement. One Saturday afternoon Inna Petrova and Yuri Vasyuchenko danced *Giselle*. The programme said that the audience was seeing Nadezhda Gracheva and Andrei Uvarov. If I were Petrova, I would stamp my little foot and have a tantrum. Maybe she did, offstage. Onstage, however, she danced calmly and devoutly. This kind of thing, as any Bolshoy fan can tell you, is nothing new.

The powerful irony behind the season was that Irek Mukhamedov, the great star of the Bolshoy's 1986 and '89 seasons here, has been dancing with the Royal at Covent Garden. It was strange to see *Spartacus* at the Albert Hall and to find that Mukhamedov's massive intensity is still writ large all over the ballet's title role – writ into the music. Strange, too, to remember that he seemed to be the Bolshoy's figurehead, first-cast hero of such big Grigorovich productions as *The Golden Age*, *Spartacus* and *Ivan the Terrible* – whereas now he is often second- or third-cast with the Royal.

Yet just look at the roles he has been dancing at Covent Garden while the Bolshoy was at the Albert Hall: the Prince in *The Sleeping Beauty* (a role the Bolshoy did not give him when it brought *Beauty* here in '89), the title role of *Apollo* (a ballet made by the century's two greatest Russian émigrés, Stravinsky and Balanchine, both extending classicism as no Soviet art ever conceived), and the leading male role of Kenneth MacMillan's *The Judas Tree* (a piece of socialist realism beyond all Soviet practice).

When Mukhamedov was with the Bolshoy, he still had an astounding jump. He hovered, in *The Golden Age*, like some dense thundercloud over the heads of the company. He has never jumped like that with the Royal; and, from his first Royal performance on, he has sometimes shown a heaviness of landing such as he never did before. But while the Grigorovich repertory capitalised on his sheer athleticism, it gave small range to his artistry. Dancing here in ballets by Ashton, MacMillan, Nijinska and Balanchine, Mukhamedov has displayed more musical acuity, range, and dramatic subtlety than the Bolshoy ever let him reveal.

Of the Bolshoy – as of so many ballet companies these days – it can be said that the first time you saw them was the best. *Spartacus* and *The Golden Age* are altogether less galvanic without Mukhamedov. But then, tremendous as he was (is), film shows that Vassiliev (in the 1960s and '70s) was even more overwhelming. I could never forget my first sight of the Bolshoy on TV in 1969 (the *Spartacus* suite and *Carmen*). And it seems that nobody who saw Ulanova here in 1956 has been quite the same since.

And yet, and yet. The Bolshoy remains uniquely endearing. Young Nadezhda Gracheva still has the phenomenal leg-extensions that made her electrifying with the Bolshoy School here in 1987, and with the Bolshoy Opera in 1990, and she has gained a new upper-body finesse. Galina Stepanenko is still steely, but she has more musical wit than before. Inna Petrova – who danced soloist role here in 1989 – is now taking ballerina roles with assurance and shy, sweet grace. Andrei Uvarov's jump was one of the talking-points of the season; and his phrasing is nobility itself.

As for *Spartacus*, it is true that it no longer has Mukhamedov, or Vassiliev, or Lavrovsky. It is true that it is actually trash (no better as art than *Ben Hur*, or *Flash Gordon*). But it is still *Spartacus* – meaty, crude, thrilling, camp and fun. The daftest moment always comes at curtain-calls, when the Roman troops salute in answer to Crassus and then the slaves all salute in answer to Spartacus. This season, the BBC Concert Orchestra – the loyal band for this Albert Hall season – all waited for Spartacus's cue, and then joined in the slaves' salute too. Silly, lovable, marvellous.

Schreker's grand magic opera

Andrew Clark on two rare revivals in Bielefeld and Zurich

THOSE WHO know Franz Schreker's music only from *Die Gezeichneten*, *Der ferne Klang* or *Der Schatzgräber* would be intrigued by *Der Schmied von Gent*, currently enjoying a persuasive revival at Bielefeld. The three operas which shot Schreker to fame immediately before and after the First World War (and now forming the basis of the Schreker renaissance) are a hothouse of sound and feeling, expertly orchestrated but shrouded in empty symbolism.

Der Schmied von Gent is altogether more straightforward and entertaining. Premiered in Berlin in 1932 less than two years before Schreker's premature death, it suggests the direction his music might have taken if he had not fallen foul of the Nazis.

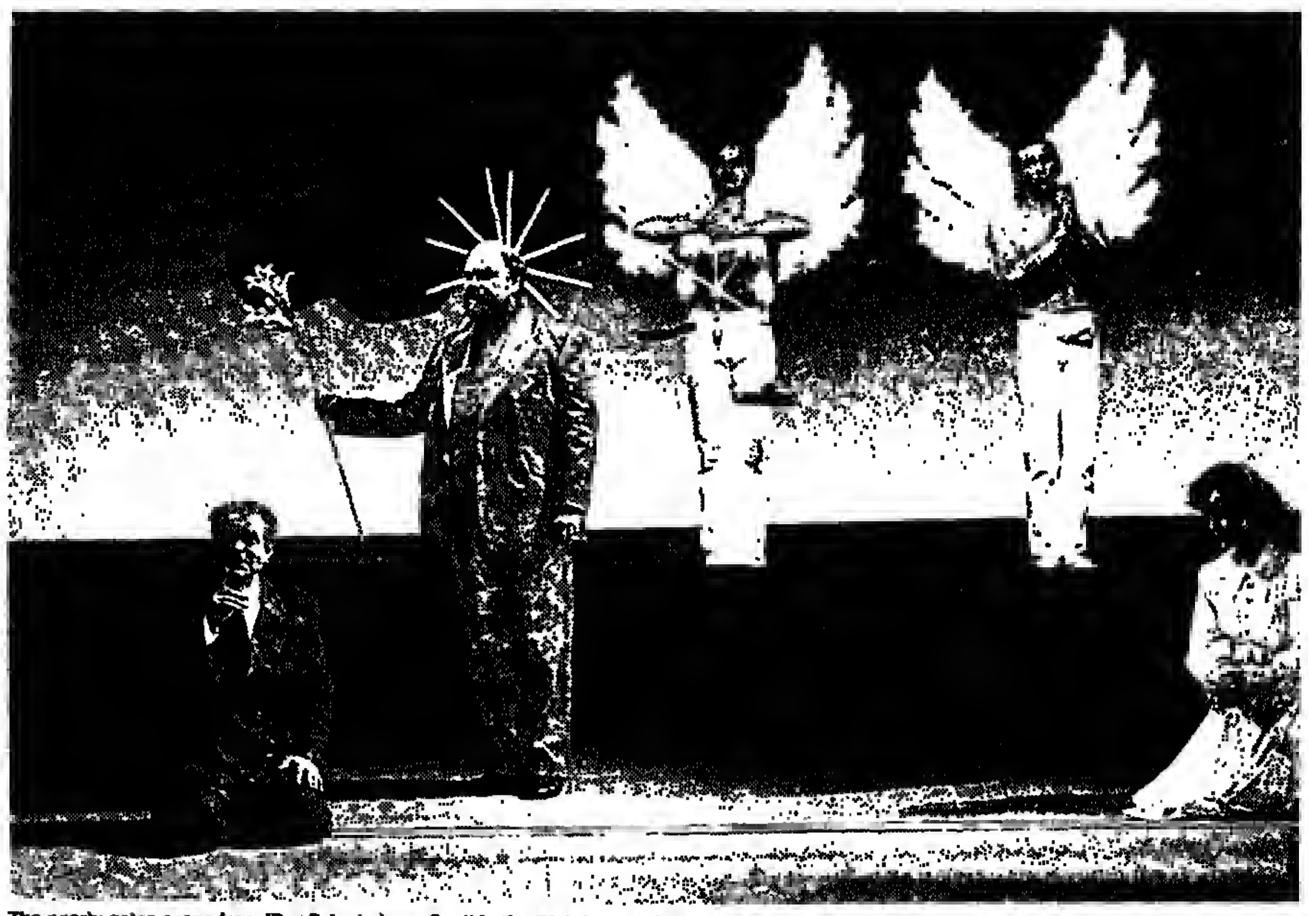
Gone is the trademark richness of style which by the mid-1920s was already out of fashion. In its place comes a dry, contrapuntal language not unlike Hindemith and Weill. What is most striking is its simplicity – the way Schreker uses a few ideas with imagination – and his ability to pull off such a radical transformation. Only in scenes of great sentiment do we hear his more familiar self.

A "grand magic opera" in three acts, *Der Schmied von Gent* is based on an old Flemish fairy tale about a blacksmith who sells his soul to the devil in return for seven years of prosperity. When his time is up, he outwits the devil and scrapes into heaven.

Smee the smith and his wife are an operatic Mr and Mrs Bloggs – dreaming of the better life, God-fearing when it suits, decidedly unheroic. A single act of kind-heartedness to a destitute refugee couple and their baby (Joseph, Mary and the Christ child) saves Smee's soul – a prescient touch to a German opera of the 1930s, even more so in the light of Germany's current preoccupation with xenophobia. Schreker respects the primitive naivety of the tale, but sprinkles it with comic and ironic touches. As a result, *Der Schmied von Gent* communicates well: it is an opera of the common man.

That, at least, was the impression left by this production. John Dew's staging, with cartoon-like fluorescent decor by Thomas Gruber and plain modern costumes by Wolfgang Kalk, focused on clear visual symbols. Set-pieces such as the Wife's prayer and the skeletons' Dance of Death had an appealing directness. The finale at the pearly gates was a parody of Everyman's view of paradise: three camp angels prancing about in feathered wings, St Peter resembling a bouncer and Joseph presiding like a benevolent televangelist.

In the bass-baritone title role, Erling Onsager gave a solid performance, and there were some characterful cameos in the smaller parts. But Krystyna Michalowska made a prosaic, off-pitch Wife and Rainer Koch's conducting left too many gaps between pit and stage.



The pearly gates scene from 'Der Schmied von Gent' in the Bielefeld production

Running parallel to this popular Bielefeld production was *Die Gezeichneten* (The Branded) at the Zurich Opera House. Here the old doubts about Schreker resurfaced. For all its cinematic colour, the score is constantly promising melodies which never materialise. The plot revolves around neurotic, over-sexed aristocrats (too many male voices), none of whom does anything to earn our sympathy. Was this really the same steamy pot-boiler which the Frankfurt and Düsseldorf stagings of the 1980s so convincingly brought to life?

Jonathan Miller's Zurich production updated the work to the early 20th century and drained it of dramatic contrast. Peter Davison's single set consisted of colourless facades, the Act three Elysium looking more like a shell-shocked military hospital than a den of vice. Dressed in Jon Morrell's stiff costumes, the cast resembled frigid members of the haute-bourgeoisie, an impression reinforced by the torpid stage direction. The Zurich public must have wondered where Dr Miller earned his reputation.

There was some compensation in Eliahu Inbal's powerful, purposeful conducting and a well-matched cast. Roland Hermann made a tall, blue-blooded Tamare, Alfred Muff a stalwart Duke Adorno. Gabriele Lechner turned the artist Carlotta into a majestic dilettante: she knows how to act with her eyes and voice, and made the most of her soaring lines in the big Act one duet. The weak point was Alviano, the physically repellant Genoese nobleman around whom the plot revolves: Jyrki Niskanen, a plausible-sounding tenor, spent most of the evening searching for his cues.

Under-sung piano virtuoso

THE PIANIST Martin Jones surfaces too rarely in London, but on Wednesday he addressed himself to the Wigmore Hall's new Bösendorfer with bracing effect. Like Hamish Milne and John Bingham, he is an under-sung British virtuoso with ideas and an enterprising repertoire. His Wigmore programme surveyed solid Jones territory: first early Brahms, big-boned and rangy, and then a string of virtuoso piano-transcriptions, stuffed with notes and with outrageous challenges to the performer.

He began by expounding the Brahms Variations on an Original Theme, op. 21 no. 1, coolly and selflessly – shapely, consequent, unforced. Then the C major Sonata, the First, took him into high gear (young Brahms was himself a doughty virtuoso): intrepid speeds, and even in rapid-fire chords the satisfying, well-balanced *crunch* of a masterly attack. From the start it was strong and buoyant; also slightly tight-lipped, for Jones's rhythms are often taut to the point of brittleness. Brahms's varied piano-textures were gorgeously realised; the Andante was sober and sincere, the Scherzo less than "con fuoco", without much dance-pulse.

In the second half, every one of the transcriptions – a dubious genre, of course, but wickedly enticing – boasted passages of brilliant authority. Percy Grainger's "ramble" around the last *Rosenkavalier* duet does indeed ramble, and closer sympathy with how live sopranos *sing* their limpid lines might have lit up the lyrical base of the exercise better; but the surroundings were prettily crystalline. Similarly in Godowsky's irresistible "concert paraphrase" on *Die Fledermaus*: part of the fun must lie in the combination of wild, extraneous arabesques with the rollicking songs we all know and love – but the songs really need to rollick, and to breathe.

Here they were paler than that, like the voice line in Godowsky's version of Richard Strauss's "Ständchen", the only strand that faltered in an otherwise delectable performance. Jones made a slow-motion idyll of the famous Albéniz Tango in Godowsky's elaboration, a sort of decadent dream about the simple, unforgettable original. I draw the line at Godowsky's treatment of the same composer's "Triane": like all the other pieces in his *Ibéria* Suite, the spareness and precision of the original piano-writing – however explosive, from time to time – are essential to its musical virtue, and surplus upholstery means a net loss.

In Dohnányi's arrangement of the "Schatz" waltz of Johann Strauss II (new to me), Jones brought the pianistic roulades as much to tingling life as he did in the *Fledermaus* paraphrase. He is not, however, a great waltzer. In both pieces we missed any confident, shameless *Schwung*. A canny pianist like him should notice that Dohnányi and Godowsky cram in more titivations than can possibly be accommodated within a strict beat (which will therefore limp at saturation-points, while you try to get all the notes in), whereas a properly skewed, swinging pulse will make room for the overload without seeming to miss a step. Jones should practise unbending.

David Murray

Haydn's Creation

KLAUS Tennstedt was originally booked to conduct the London Philharmonic's two performances of Haydn's *Creation* this week at the Royal Festival Hall. Tennstedt, though, was advised to rest after some strenuous touring: forced to look elsewhere for a conductor the LPO struck lucky: the concerts were taken over by Roger Norrington.

The results were certainly very different from any notion of what a Tennstedt *Creation* might have been. For though Norrington was working with a modern symphony orchestra without a period instrument in sight, he was still able to bring bear a whole range of stylistic insights derived from his experience of conducting it with his own London Classical Players.

Every texture was opened out, and the bright dabs of instrumental colour that fleck Haydn's score made to acquire an extra luminosity. Light and shade was everything. Recitatives were accompanied by a fortepiano, the strings found their natural inclination to vibrato had been strictly controlled – many passages, the opening prelude the first, arresting example, were delivered with wonderfully chaste, limpid string chording – while the woodwind solos were etched in sharp relief.

The distinguishing characteristic of every Norrington performance is its rhythmic acuity and it was no surprise to find every phrase here sharply profiled, each accompanimental figure deftly worked.

So every aspect of this *Creation* was rendered elegantly buoyant, a tapestry of deftly worked instrumental strands and vigorously alert singing. The soloists were a distinguished set – Felicity Lott, Anthony Rolfe-Johnson, David Wilson-Johnson – all imposing characters in their own right.

With a less characterful trio Norrington might have been tempting to impose his own precepts, encouraging a little more flexibility, perhaps more ornamentation; instead he gave them expressive licence and they sang most elegantly.

The London Philharmonic Choir coped well too with his demands for sinewy precision: indeed, as an example of what can be achieved within the constraints of big-band symphonic Haydn the whole evening was an instructive and inspiring model.

Andrew Clements

Chess No 961

1 Rxb8+ Nxb8 2 Nxa6 Nxa6 3 Qc8+ Ng8 4 Bf1 Resigns, as Bc4 follows.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Henry's Cat. 7.35 Wiz Bang. 7.00 Littl' Bits. 8.10 Eggs 'n' Baker. 8.35 Tom and Jerry: Greatest Hits. 9.00 Going Live!

12.12 Weather.

12.15 Grandstand. Introduced by Bob Wilson. Including 12.20 Football: Previewing this weekend's FA Cup fifth round ties. 12.55 Racing from Newbury: The 1.00 Game Spirit Steeple Chase. 1.10 News. 1.15 Skiing: The World Championships from Japan, featuring the Womens' Slalom. 1.30 Racing: The 1.35 Arlington Premier Series Chase Final. 1.45 Skiing: Continued coverage. 2.05 Racing: The 2.10 Tote Gold Trophy Handicap Hurdle. 2.20 Snooker from Wembley: The first semi-final of The Masters from the Wembley Conference Centre. 2.55 Rugby League: Live coverage of Wigan v St Helens in the second round of the Challenge Cup, from Central Park, Wigan. 3.45 Football Half-Times. 3.55 Rugby League: Continued coverage. 4.35 Final Score. Times may vary.

5.15 News.

5.25 Regional News and Sport.

5.35 That's Showbusiness.

6.05 Noel's House Party.

7.00 The Paul Daniels Magic Show. Featuring mind reading, and a clock dial which obediently records the time dictated to it by the audience.

7.50 Casualty. A teacher's favouritism for a pupil has devastating repercussions. Starring Derek Thompson.

8.40 Birds of a Feather.

9.10 News and Sport; Weather.

9.30 That's Life!

10.10 Match of the Day. Highlights from three of the day's top matches in the FA Cup fifth round.

11.20 Snooker: The Masters. Coverage of the second semi-final. Introduced by Dougie Donnelly.
12.10 Film: Strange Brew. Chaotic comedy about a master brewer who plots to take over the world by lacing his ale with a mind-controlling drug. Starring Rick Moranis and Max Von Sydow (1983).
1.40 Weather.
1.45 Close.

BBC2

6.40 Open University.

3.00 Film: Roman Holiday. Romantic comedy about a princess who falls in love with a newspaper reporter while on an official visit to Roma. Starring Audrey Hepburn and Gregory Peck (1953).

4.55 Snooker: The Masters. Semi-final action.

5.45 Late Again. Compilation of highlights from last week's editions of The Late Show.

6.20 Scrutiny. Nicholas Jones looks at the work of parliamentary select committees.

6.50 News and Sport; Weather.

7.05 A Night of Love: The Life and Times of the Valentine Card. Soul singer Barry White introduces an evening's programmes devoted to love, beginning with a short history of the Valentine Card, narrated by Angus Deayton; Love Bites. Two-minute look at the nation's attitude to love.

7.30 Sounds of Love. Barry White introduces a selection of love songs from the fireside of his Los Angeles home; Love Bites.

8.15 Paradise Road. How to write a romantic best-seller, including tips from top authors. Actress Susie Blake presents dramatised extracts from the Mills and Boon guide to writing fiction and learns how new manuscripts are selected. Love Bites.

9.00 Tie Me Up and Bled Me, Robin. Stand-up comic Jo Brand revisits great love moments from the TV archives.

9.30 Straight Through the Heart. Four people reveal their heartbreaking stories of unrequited love; Love Bites.

10.10 Film: Truly, Madly, Deeply Juliet Stevenson stars as a young woman whose dead ex-lover (Alan Rickman) reappears to teach her how to love again. Anthony Minghella's acclaimed romantic comedy, which treads similar ground as Ghost, but without the Hollywood glitz. (1991); Love Bites.

12.00 Film: Baby It's You. Bittersweet romance set in the 1960s, starring Rosanna Arquette (1983).

1.45 Close.

LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 Movies, Movies, Movies. 12.30 The ITV Chart Show.

1.00 ITN News; Weather.

1.05 London Today; Weather.

1.10 Hard Time on Planet Earth.

2.05 WCW Worldwide Wrestling. Grappling action with the stars of American wrestling.

2.40 International Athletics. Great Britain v USA. Jim Rosenthal presents live coverage from the National Indoor Arena, Birmingham. Commentary by Alan Parry, Peter Matthews and Steve Ovett.

4.40 ITN News and Results; Weather.

5.00 London Tonight and Sport; Weather.

5.10 Baywatch. David Hasselhoff stars.

6.00 Blind Date.

7.00 Barrymore.

7.45 Inspector Morse: The Death of Self. A case involving the murder of an Englishwoman takes Morse and Sgt Lewis to a vineyard in Northern Italy, where the detective is captivated by opera singer Nicola Burgess. Will his interest in her profession distract him? John Thaw, Kevin Whately and Frances Barber star.

9.45 Tarrant's 10 Years on TV. New series. Chris Tarrant presents a collection of humorous TV clips from other countries, including the Japanese game show Endurance.

10.15 The Big Fight - Live! Nicky Piper v Karl Willis. Coverage from Manchester as Welshman Piper challenges the American Willis for the WBA Continental Super Middleweight Championship. Reg Gutteridge and Jim Watt provide the commentary.

11.05 ITN News; Weather.

11.20 London Weather.

11.25 Film: Bright Lights, Big City. Premiere of this 1980s brat-pack drama based on writer Jay McInerney's cult novel. Michael J Fox stars as a magazine researcher with a drug habit whose life in the Big Apple begins to fall apart at the seams (1988).

1.20 The Big E.

2.20 Get Stuffed; ITN News Headlines.

2.25 NBA Jam Session.; ITN News Headlines.

3.25 New Music.

4.25 BPM.; Night Shift.

CHANNEL4

6.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 Road Dreams. 12.30 pm Songs and Memories.

1.00 Hog Heaven. Following 300,000 Harley Davidson motorbike riders as they gather for the world's largest rally in Dakota.

1.30 Love Weekend: I Love Tou.

1.35 Racing from Uttoxeter. Including the 1.40 Douglas Concrete Novices' Chase, 2.10 Gilbeys Gin Novices' Chase, 2.40 Singer & Friedlander Handicap Chase and the 3.10 Ladbroke Handicap Hurdle.

3.35 Film: The Garden of Allah. Romantic drama starring Marlene Dietrich and Charles Boyer. (1936).

5.00 Love Weekend: Passion Italian Style.

5.05 Brookside.

6.30 Right to Reply. News.

7.00 A Week in Politics. An offbeat look at the week's political news from both Houses of Parliament.

8.00 Love Weekend: Introduction. Richard Jobson and Nina Myskow introduce the evening's delights.

8.10 Film: Dirty Dancing. Patrick Swayze stars in this musical drama about a dance instructor at a holiday resort who teaches a 17-year-old girl (Jennifer Grey) about life, love and dancing (1987).

10.00 Saturday Zoo. Jonathan Ross and guests explore the world of chat and comedy.

11.00 Live from the Windmill Theatre. Introduced by Richard Jobson and Nina Myskow.

1.15 Sacred Sex.

3.05 Film: Love Story. Emotional drama. Margaret Lockwood and Stewart Granger star (1944).

5.10 Kiss.

5.15 The Kama Sutra Rides Again.

5.30 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
1.05 Anglia News. 1.10 WCW Worldwide Wrestling. 1.40 English National Badminton Championships. 6.00 Anglia News and Sport

BORDER:
1.05 Border News. 1.10 Jules Verne's Strange Holiday. (1980) 6.00 Border News and Weather

CENTRAL:
1.05 Central News 1.10 Mickey's Happy Valentine Special. 5.30 Central News 5.55 The Central Match - Goals Extra.

CHANNEL:
1.00 Channel Diary. 1.10 The A-Team. 5.00 Channel News. 6.00 Puffin's Pla(i)ce.

GRAMPIAN:
1.05 Grampian Headlines 1.15 The Caledonian Challenge. 1.40 Speaking Our Language. 6.15 Tomas Tolteach 'S A Charaidean. 5.15 Police News. 2.25 Rocksport. 5.00 Grampian Headlines 6.00 Small Talk. 11.20 Grampian Weather.

GRANADA:
1.05 Granada News 1.15 Jules Verne's Strange Holiday. (1980) 6.00 Granada News 5.05 Granada Goals Extra.

HTV:
1.05 HTV News. 1.10 McCloud: Give My Regrets to Broadway. (TVM 1972) 6.00 HTV News and Sport 11.20 HTV Weather.

HTV Wales as HTV except:
5.00 HTV News and Sports Results

MERIDIAN:
1.05 Meridian News. 1.15 The A-Team. 5.00 Meridian News. 6.00 Saturday Sport.

SCOTTISH:
1.05 Scotland Today. 1.15 Laverne and Shirley. 1.40 Speaking Our Language. 2.15 Celebrity Squares. 5.00 Scotsport Results. 6.15 Rocksport. 5.30 The Box. 5.45 Scotland Today 11.20 Scottish Weather.

TYNE TEES:
1.05 Tyne Tees News. 1.10 The Last Unicorn. (1982) 6.00 Tyne Tees Saturday.

ULSTER:
11.30 You're On. 1.05 UTV Live Lunchtime News 1.10 Saturday Sport. 1.20 Trans World Sport. 5.15 Movies, Movies, Movies. 5.00 UTV Live Early Evening News 5.05 Saturday Sport. 11.20 UTV Live Evening News

WESTCOUNTRY:
11.30 Anybody Out There? 1.05 Westcountry Weekend Latest. 1.10 Fire Over Rome. (1965) 5.00 Westcountry Weekend Latest.

YORKSHIRE:
1.05 Calendar News. 1.10 The Last Unicorn. (1982) 5.00 Calendar News.

S4C Wales as Channel 4 except:-
7.05 Early Morning. 10.00 The Wonder Years. 12.30 Adventures: Steaming Passions. 1.30 Willie the Kid. 3.30 Dreamboat. (1952) 4.55 Yes We Can. 6.30 Magic Roundabout. 6.35 Now You're Talking. 7.00 Newyddion Nos Sadwrn. 7.20 Shotolau. 7.50 Halen Yn Y Gwaed. 8.50 Tocyn Tymor. 9.45 Snapshots. 11.00 Live to the Windmill Theatre.

SUNDAY

BBC1

7.00 Felix the Cat. 7.15 Smoggies. 7.40 Playdays. 8.00 Superbods. 8.15 Breakfast with Frost. 9.15 The Good Book Guide. 9.30 This is the Day. 10.00 See Hear! 10.30 Japanese Language and People. 11.00 Careering Ahead. 11.30 Off the Back of a Lorry.

12.00 Advice Shop. Topical welfare rights magazine.

12.30 CountryFile.

12.55 Weather for the Week Ahead; News.

1.00 On the Record. Political interviews and analysis. With Jonathan Dimbleby.

2.00 EastEnders.

3.00 Match of the Day: The Road To Wembley.

5.00 The Clothes Show. The team investigates an American fashion company which uses recycled materials from a Yorkshire mill.

5.25 Antiques Roadshow. The experts visit Kingston in Jamaica.

6.10 News.

6.25 Songs of Praise.

7.00 As Time Goes By.

7.30 Lovejoy. The antiques dealer (Ian McShane) tries to sell a collection of Jewish artefacts - but will Charlie Gimbert (Malcolm Tierney) clinch the deal first?

8.25 So Haunt Me.

8.55 One Foot in the Grave.

9.25 News; Weather.

9.40 Snooker: The Masters. The final from the Wembley Conference Centre. Subsequent programmes may run late.

10.30 Heart of the Matter. Joan Bakewell asks whether gay and lesbian couples should have the same rights as heterosexuals when it comes to fostering and adopting children. Last in series.

11.05 Winning. How owners of two successful small businesses have trained their management to share responsibilities.

11.35 Famously Fluent. Scottish opera singer Isobel Buchanan sings.

11.40 Doogie Howser, MD.

12.05 Weather.

12.10 Close.

BBC2

6.15 Open University. 8.15 Christopher Crocodile. 8.19 The Animals of Farthing Wood. 9.40 Time Busters. 10.05 Teenage Mutant Hero Turtles. 10.30 Maid Marian and Her Merry Men. 10.55 Blue Peter Omnibus. 11.45 The O Zone. 12.00 Thunderbirds. 12.50 pm The Invaders.

1.40 Tex Avery Triple Bill. Cartoon adventures.

2.00 Around Westminster. The weekly political review.

2.30 Snooker: The Masters. Action from the opening frames of the final.

3.40 Millennium: Tribal Wisdom and the Modern World. David Maybury-Lewis examines the role of spirituality in the lives of the Mexican Huichol people, who eat hallucinogenic cacti to have ecstatic visions.

4.35 Ski Sunday. David Vine introduces the World Championship men's slalom from Morioka, Japan.

5.10 Rugby Special. Leicester v Orrell.

6.10 Snooker: The Masters. The concluding frames in the afternoon session of the final.

7.00 The Money Programme. Despite the recession, British shoppers have been spending millions on foreign goods. Is this a luxury the nation can afford?

7.40 The Adventurers. Andrew Slaughter, the owner of an animal funeral business, approaches Grosvenor for money to expand into waste disposal. But the Adventurers are more tempted by the prospect of buying into the government's impending privatisation of a high-technology group. Which way will the venture capitalists jump?

8.20 Dancing. How dance marks relationships between the sexes.

9.20 Did You See? Jeremy Paxman and guests look back at the week's TV highlights.

10.00 Screen Two: Dead Romantic. Haunting thriller, starring Janet McTeer.

11.30 Film: Death in Venice. Dirk Bogarde stars in a screen version of Thomas Mann's story about a German composer.(1971).

1.40 Close.

LWT

6.00 GMTV. 9.25 Disney Club. 10.45 Link. 11.00 Morning Worship. 12.00 Package Pilgrims. 12.30 pm Crosstalk; London Weather.

1.00 ITN News; Weather.

1.10 Walden. Political interviews and incisive investigations.

2.00 Bright Lights, Big City. How the West End became an international arts centre following the introduction of railways in Victorian times.

2.30 Mickey's Happy Valentine Special.

3.25 Cartoon Time.

3.35 Film: McCloud: A Little Plot at Tranquil Valley. The urban cowboy is held captive by a desperate gang of drug smugglers. Starring Dennis Weaver and Burgess Meredith.

5.00 Wish You Were Here? Judith Chalmers travels to South America and visits the Margarita Island beach resort in Venezuela. John Carter visits Majorca.

5.30 Bullseye.

6.00 London Tonight; Weather.

6.20 ITN News; Weather.

6.30 Film: Star Trek IV: The Voyage Home. Starring William Shatner, Leonard Nimoy and Deforest Kelley (1986).

8.25 You've Been Framed!

8.55 ITN News; Weather.

9.15 London Tonight; Weather.

9.20 Agatha Christie's Poirot. A sinister murder in the gangland underworld of London's Italian community baffles even the Belgian detective.

10.20 Hale and Pace.

10.50 The South Bank Show. Designed by Frank Lloyd Wright, the Guggenheim Museum was built in 1959 and has recently been restored. Sir Richard Rogers tells the story of the last building to be designed by one of the greatest architects of the 20th century.

11.50 Encounter.

12.20 Cue the Music.

1.20 Get Stuffed; ITN News Headlines.

1.25 TXT.

2.25 Summer Rock.

3.25 Get Stuffed; ITN News Headlines.

3.30 Snooker.

CHANNEL4

6.00 Early Morning. 9.30 Dennis. 9.45 Ripper. 10.15 The Miraculous Mellops. 10.45 Land of the Giants. 11.45 Little House on the Prairie.

12.40 Branson - Across a Fiery Sky. The story of Richard Branson and Per Lindstrand's attempt in 1991 to fly across the Pacific Ocean in the world's largest hot air balloon.

1.45 Football Italia. Featuring Lazio v Cagliari; Napoli v Inter; Torino v Parma.

4.05 The Love Weekend: Eric's Story - A Love Talk Special. Eric Meyer confesses he finds it hard to relate to women.

4.45 George and Rosemary; Loves Me - Loves Me Not.

5.10 News.

5.15 High Interest: A Brief Economic History of Our Time. Christopher Hird argues that mistakes at the centre of economic policy in the 1980s led to the present recession.

6.00 Moviewatch. Laurie Pike presents the latest gossip from Hollywood.

6.30 The Wonder Years.

7.00 The Love Weekend.

7.01 Wartime Romance. Joanna Lumley looks at wartime romance.

8.00 Mr Axelford's Angel. Award-winning drama, starring Michael Bryant and Julia Foster.

9.00 Do You Come Here Often? The programme visits three famous London art galleries to discover why great art inspires heady romance.

9.30 The Love Weekend. Nina Myskow leads a discussion on obsessive love.

10.15 Nights. Final episode of the partly animated series looking at Bob and Carol's relationship.

10.30 Film: Last Tango in Paris. Once controversial movie concerning an ill-fated love affair between a middle-aged American expatriate and a 20-year-old French woman. Marlon Brando stars (1972).

12.55 Epilogue.

1.05 White and the Love Unlimited Orchestra.

1.45 The Ant Who Loved a Girl.

1.55 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Food Guide. 12.55 Anglia News. 6.00 Highway to Heaven. 2.55 The Bridge at Remagen. (1969) 5.00 The Village Show. 6.00 Anglia News on Sunday

CENTRAL:
12.30 Gardening Time. 12.55 Central News 3.00 Coach. 2.30 A Ducktales Valentine. (1990) 3.25 Bullseye. 3.30 Highway to Heaven. 6.15 Central News

CHANNEL:
12.30 Reflections. 12.35 Rendez-Vous Dimanche. 12.50 Telejonal. 1.00 Highway to Heaven. 2.55 Freescreen. 3.55 The Undefeated. (1969) 5.15 Bullseye. 5.45 I Can Do That. 6.15 Channel News.

GRAMPIAN:
10.45 Small Talk. 11.00 The Sunday Service. 11.45 Link. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 2.00 Great Planes. 6.00 The A-Team. 4.00 Wish You Were Here? 4.30 Bullseye. 5.00 Scotsport. 6.00 Grampian Headlines 6.05 Elkon. 6.15 Grampian Weather.

GRANADA:
12.55 What the MPs Say. 12.55 Granada News. 2.00 The A-Team. 2.55 Carry On Cowboy. (1965) 4.45 Bullseye. 5.15 Coronation Street. 6.15 Granada News

HTV:
12.25 HTV News. 12.30 HTV Newsweek. 6.00 The West Match Highlights. 2.30 In Harm's Way. (1965) 5.45 Bullseye. 6.15 HTV News. 6.15 HTV Weather.

HTV Wales as HTV except:
12.30 Playback. 2.00 WCW Worldwide Wrestling.

MERIDIAN:
12.30 Meridian This Week. 12.55 Meridian News. 6.00 Highway to Heaven. 2.55 Freescreen. 3.55 The Undefeated. (1969) 5.15 Bullseye. 5.45 I Can Do That. 6.15 Meridian News.

SCOTTISH:
10.45 Wemyss Bay 902101. 11.30 Link. 11.45 The Sunday Service. 12.30 Package Pilgrims. 12.55 Scotland Today. 2.00 Scottish Questions. 2.30 Highway to Heaven. 3.30 Elvis: Good Rockin' Tonight. 6.05 Baywatch. 6.00 Scotsport. 6.00 Scotland Today 3.00 Elkon. 6.15 Scottish Weather.

TYNE TEES:
12.25 The Littlest Hobo. 12.50 Tyne Tees News. 2.00 Mickey's Happy Valentine Special. 2.55 Caprice. (1967) 4.55 Dinosaurs. 5.30 Bullseye. 6.00 The Back Page. 6.15 Tyne Tees News. 6.15 Local Weather.

ULSTER:
12.25 Gardening Time. 12.55 UTV Live Lunchtime News 2.00 Follow Me. 2.55 Bon Voyage. 2.25 Seven Nights in Japan. (1976) 4.15 Glenroe. 4.45 Bullseye. 5.15 Coronation Street. 6.15 Witness. 6.15 UTV Live Early Evening News 6.15 UTV Live Evening News

WESTCOUNTRY:
12.30 Westview. 12.55 Westcountry Update. 2.00 Movies, Movies, 3.00 A Billion for Boris. (1984) 4.45 Bullseye. 5.15 Heart of the Country. 5.45 Members Only. 6.15 Westcountry Latest.

YORKSHIRE:
12.25 The Littlest Hobo. 12.50 Calendar News. 6.00 Mickey's Happy Valentine Special. 2.55 Caprice. (1967) 4.50 Dinosaurs. 5.20 Bullseye. 5.50 Calendar News 6.15 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Barbara Sturgeon.
8.00 Brian Matthew.
10.00 Anne Robinson.
12.00 Brian Hayes.
1.30 For Better or For Worse.
2.00 Ronnie Hilton.
3.00 Steve Race.
4.00 The Mills Brothers.
4.30 Gloria Gaynor in Concert.
5.00 Cinema 2.
5.30 New Country.
6.00 The World Dances.
7.30 The Bolshoi in London.
9.30 David Jacobs.
10.00 The Arts Programme.
12.00 Ronnie Hilton.
1.00 Charles Nove.
3.00 Barbara Sturgeon.

BBC RADIO 3
6.35 Open University: Renaissance Attitudes to the Cosmos.
6.55 Weather.
7.00 Record Review.
1.00 News.
1.05 Scotland's Music.
2.40 Schubert.
3.00 The Koussevitzky Legacy.
6.00 Jazz Record Requests.
5.45 Third Opinion.
6.30 Banchetto Musicale.
6.55 Luisa Miller.
10.00 The Quill.
10.35 Dizzy Gillespie.
12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.10 The Farming Week.
6.30 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Loose Ends.
11.00 The Week in Westminster.
11.30 From Our Own Correspondent.
12.00 Money Box.
12.25 Just a Minute!
1.00 News.
1.10 Any Questions?
2.00 Any Answers? 071-580 4444.
2.30 Playhouse.
3.45 My Four Green Fields.
4.00 Age to Age.
4.30 Science Now.
5.00 Watching Old Movies.
5.25 Fourth Column.
6.00 News and Sports Round-Up.
6.25 Week Ending.
6.00 Postcard from Gotham.
7.20 Kaleidoscope.
7.50 Saturday Night Theatre.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 The Year in Question.
10.45 Idle Thoughts.
11.00 Richard Baker Compares Notes.
11.30 Lionel Nimrod's Inexplicable World.
12.00 News.
12.30 Close.

BBC RADIO 5
6.00 World Service.
3.00 Weekend Edition Update.
6.40 Test Match Special.
9.45 Weekend Edition Update.
6.05 Test Match Special.
11.10 Go!
12.00 Sport on 4 Plus 1.
12.30 Sportscall.
1.30 Sport on Five.
6.00 Sports Report.
6.05 Six-O-Six.
7.30 Afropop Worldwide.
5.20 Le Top.
9.30 Nightbeat.
10.00 Sports Bulletin.
10.15 On the Level.
12.00 Close.
3.55 Test Match Special.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHz (463m) at the following times GMT:
6.00 News; The World Today. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 People and Politics. 8.00 News; Words of Faith; A Jolly Good Show. 6.00 News; Business Report; Worldbrief. 5.30 Personal View. 9.45 Sports Roundup. 10.00 News Summary; Jazz Now and Then; Letter From America. 10.30 Waveguide; Book Choice; From The Weeklies. 11.00 Newsdesk. 11.30 BBC English. 11.45 Mittagsmagazin: News in German. 12.00 News; Words of Faith. 12.15 Multitrack 3. 12.45 Sports Roundup. 1.00 Newshour. 0.00 Club 648. 2.15 Personal View. 2.30 Sportsworld. 3.00 News; Sportsworld continued. 4.00 News; News About Britain; BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News Summary; Sportsworld. 5.30 Programmes in French. 5.00 Newsdesk. 5.30 Programmes in German. 6.00 News; Personal View; Words of Faith. 6.30 Europe This Weekend. 5.35 European Sports News. 6.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Words of Faith; Book Choice; A Jolly Good Show. 12.00 Newsdesk. 12.30 The Ken Bruce Show. 1.05 News Summary; Play of the Week: Hayavadana. 2.00 Newsdesk; Out of Tune. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.00 From Our Own Correspondent. 3.50 Write On. 4.00 News. 4.15 Inside The Photograph Album. 4.30 Business Review. 4.45 Programmes in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean.
9.05 John Sachs.
10.30 Brian Hayes.
12.00 Desmond Carrington.
2.00 Benny Green.
3.00 Alan Dell.
4.00 Stars of the Fifties.
4.30 Sing Something Simple.
5.00 Forces Sweethearts.
5.30 Richard Baker.
6.30 Sunday Half Hour.
9.00 Alan Keith.
10.00 Arts Programme.
12.05 New Country.
12.35 Charles Nove.
3.00 Alex Lester.

BBC RADIO 3
5.35 Open University: Englands of the Mind.
6.55 Weather.
7.00 Sunday Morning Concert. 8.00 News.
9.05 Brian Kay's Sunday Morning.
12.00 Spirit of the Age.
1.00 News.
1.05 Selected Poets.
1.20 From the Proms 1992.
3.00 Dietrich Fischer-Dieskau Sings Schumann.
4.00 Homage to Couperin.
6.15 South German Radio SO.
6.25 Schubert.
7.30 Sunday Play.
9.10 BBC Welsh SO.
11.00 Pianos and Voices.
11.20 Music in Our Time.
12.30 News. 12.35 Close.

BBC RADIO 4
6.00 News Briefing.
6.15 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.00 News.
8.10 Sunday Papers.
8.50 Gavin Campbell.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers.
11.15 News Stand.
11.30 Pick of the Week.
12.15 Desert Island Discs.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
3.00 Classic Serial.
3.30 The Radio Programme.
4.00 Analysis.
4.47 More Wrestling Than Dancing.
5.00 Nina Myskow in Knightsbridge.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Loss of Innocence.
6.30 Dished Up in the Dordogne.
7.00 Nearest and Dearest.
7.30 Bookshelf.
8.00 A Sunday Outing.
10.00 News.
10.15 The Memoirs of Sherlock Holmes.
11.00 In Committee.
11.30 Seeds of Faith.
10.00 News.
12.30 Close.

BBC RADIO 5
3.00 World Service.
9.30 Weekend Edition Update.
9.45 Test Match Special.
8.45 Weekend Edition Update.
9.05 Test Match Special.
11.40 The Unopened Casebook of Sherlock Holmes.
12.30 Football.
2.30 Money Talk.
3.00 Sunday Sport.
5.30 They Think It's All Over.
6.00 A Century Remembered.
6.30 Education Matters.
7.00 Sportsdesk.
7.20 Open University.
10.10 Across the Line.
12.00 Close.
3.40 Test Match Special.

WORLD SERVICE
BBC for Europe can be received in Western Europe on Medium Wave 648 kHz (463m) at the following times GMT:
6.00 News; Letter From America. 6.30 Programmes in French. 7.00 Newsdesk. 7.30 From Our Own Correspondent. 7.50 Write On. 8.00 News; Words of Faith; Classics with Kay. 8.00 News; Business Review. 8.15 Short Story: A Bad Month. 9.30 Folk Routes. 9.45 Sports Roundup. 10.00 News Summary; Science in Action. 10.30 In Praise of God. 11.00 Newsdesk; BBC English. 11.45 News and British Press Review in German. 12.00 News Summary. 12.01 Play of the Week: Hayavadana. 1.00 Newshour. 2.00 News Summary. 2.01 It's Your World Phone-ins. 3.00 News. 3.15 International Recital. 4.00 News; News About Britain. 4.15 BBC English. 4.29 News Headlines in French. 4.30 Programmes in German. 5.00 News and Business Review. 5.15 Club 648. 5.30 Programmes in French. 5.00 Newsdesk. 6.30 Programmes in German. 8.00 News; Folk Routes; Words of Faith. 8.30 Europe Tonight. 9.00 Newshour. 10.00 News; Meridian. 10.45 Sports Roundup. 11.00 News; Business Review; Classics with Kay. 12.00 Newsdesk. 12.30 In Praise Of God. 1.00 News Summary: What's News? 1.15 After Independence. 1.45 Mastersingers. 2.00 Newsdesk. 2.30 Composer Of The Month: Gabriel Faure. 3.00 News; News About Britain. 3.15 Sports Roundup. 3.30 Anything Goes. 4.00 News; Poets And Places. 4.30 Waveguide. 4.45 Programmes in German.

CHESS

MANCHESTER emerged as favourite to stage the Gary Kasparov v Nigel Short world title match after a week of confused chess diplomacy.

Barcelona, widely expected to host the series, withdrew, leaving the International Chess Federation with only two bids – one too low and the other barbed politically – by the deadline of February 8.

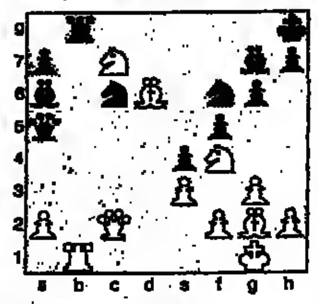
One was from Santiago de Compostela in Spain, but it offered only Fide's stipulated minimum of SFr1m (£400,000). The other was a Belgrade/Sofia bid from Jezdimir Vasiljevic, the Serbian banker who financed Bobby Fischer's sanctions-busting comeback.

Short's home city, Manchester, planned a £3m bid in conjunction with a multi-national company but was unable to complete arrangements in the nine days available. Fide refused a British Chess Federation request for more time.

Then, it emerged that neither Santiago (which wrote: "Our cheque is in the post") nor Sofia had provided the required financial guarantees.

The next stage is consultation with the players. Short dismissed Santiago's offer as too low and Belgrade as contravening UN sanctions. Kasparov has not commented, although he said earlier that only a £3m prize fund from a source acceptable internationally would suffice.

Short, with visions of a home-town audience to inspire him,this week described his chances as "quite reasonable" although his good match record masks the gap of 150 rating points, and a 10-1 score in individual games, against the champion. Bookmakers are quoting Kasparov, ranked the best player of all time, at odds between 1-3 and 2-11.



Chess No 961

Azmaiparashvili v. Rotstein, Wijk aan Zee 1993. How did White win quickly?

Solution Page XX

Leonard Barden

BRIDGE

TODAY'S HAND comes from teams-of-four. Let us study That Extra Chance:

N
♠ 6 5 2
♥ A 9 4
♦ K 7 4
♣ A 8 5 2

W
♠ 8 7
♥ Q J 10 3
♦ J 9
♣ K 9 6 4 3

E
♠ 10 4 3
♥ K 8 2
♦ Q 10 5 2
♣ Q J 10

S
♠ A K Q J 9
♥ 7 6 5
♦ A 8 6 3
♣ 7

East was dealer, with neither side vulnerable, and South opened the bidding with one spade. North replied with two no-trumps and South's four spades finished the auction.

In room one, West led the heart queen to dummy's ace and the declarer drew the trumps with ace, king and queen. He played a diamond to the king, then crossed to his ace and led a third diamond, on which West showed out. That meant defeat. South had to lose two diamonds as well as two hearts. No orchids for the declarer after that.

In the other room, by a different sequence, South became declarer in four spades and West again led the heart queen. Declarer won with dummy's ace, returned the four of diamonds, played the three from hand. West won, cashed the knave of hearts and led a heart to his partner's king.

Taking the queen of clubs on the table, South cashed ace and king of spades, crossed to the diamond king and returned to his ace. West showed out, but that was no problem. South just ruffed his last diamond with dummy's remaining trump and claimed contract.

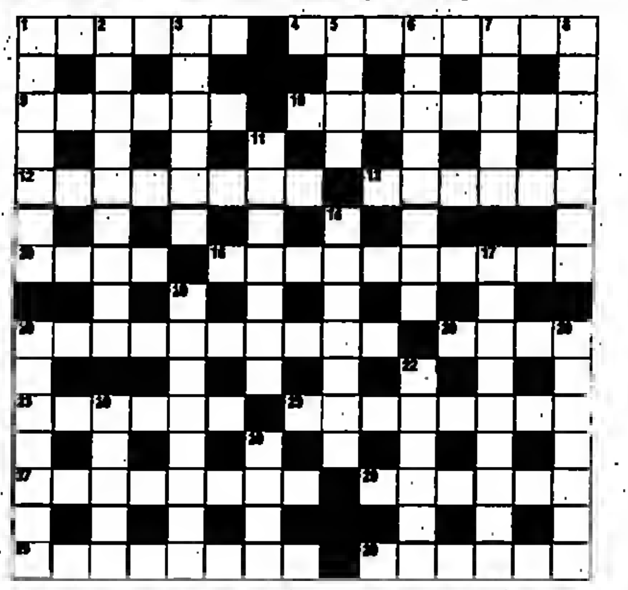
The first declarer staked his contract on a 3-3 diamond break. The second also had the 3-3 break in mind, but gave himself the extra chance – if the suit broke 4-2 – of finding the third trump in the hand that held four diamonds. Well thought out, perfectly timed.

E.P.C. Cotter

CROSSWORD

No. 8,076 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday February 24, marked Crossword 8,076 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday February 27.



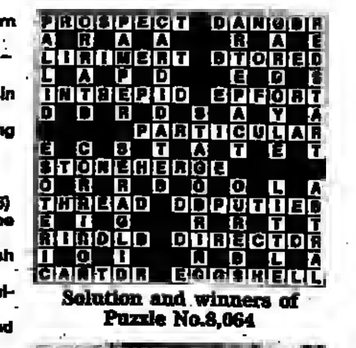
Name..

Address..

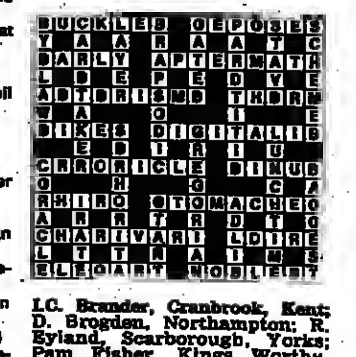
ACROSS
1 Introduce British freshwater fish (6)
4 Absent-minded girl leads struggling artist (8)
6 O'Neill's character in cinema production (6)
10 Billboard saving? (8)
12 Ceded iron-bound northwestern state (8)
13 One caught up in Lassa fever – attack (6)
15 Bitter, possibly, after a year in university (4)
16 Greek letter-dealing is cheating (10)
19 Expert history teacher? (4,6)
20 Grouse or meat? (4)
23 Sage found in one's tortellini! (6)
25 Bill, assistant clergyman to be precise (8)
27 Fellow-rallyist taking fish course? (2-6)
28 Dreadfully dew-hit kind of sepulchre (6)
29 Small amounts of sulphur and iodine, for example (8)
30 Something to invigorate pair at end of pier? (6)

DOWN
1 Cheese on the ball, in a nutshell (7)
2 Countermands bowling laws (9)
3 Small coin trade (6)
6 Unbending club? (4)
5 Short let arranged for songster (7)
7 Soul of a tailless creature (5)
8 Label on a record is in a foreign language (7)
11 Grow hot in hut seen to be derelict (7)
14 Spirit of 27, for example, in France? (7)
17 Line I cast out is not yielding (9)
18 Motorway runs up to port in Alabama, still (8)
19 Dash! – it's a common face-pain (7)
21 Slip, possibly, 9 climbing tree (7)
22 Father of great god, crowned with gold (6)
24 Lakeside grass that withers in lines? (5)
26 Huntsmen returning empty (4)

Solution to Puzzle No.8,075



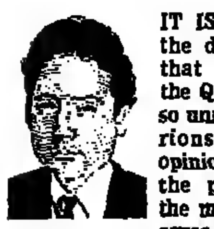
Solution and winners of Puzzle No.8,064



I.C. Brander, Cranbrook, Kent; D. Brogden, Northampton; R. Eyland, Scarborough, Yorks; Pam Fisher, Kings Worthy, Hants; P.M. Longbottom, Leiden, Netherlands; Sandy Nelson, Edinburgh.

A wicked tax on our birthright

*The Queen has caved in on tax; at least, says **Dominic Lawson**, Charles' inheritance is safe – for now*



IT IS a matter of the deepest regret that Her Majesty the Queen has been so unnerved by spurious newspaper opinion polls about the popularity of the monarchy as to agree to pay taxes.

It is true that there is no great tradition of the monarch being tax-exempt. This was originally granted to George VI only because his coffers had been depleted by the need to buy out his abdicating brother's British properties, such as Sandringham.

The coffers, through astute investment, have been replenished. Still, it is sad to see the monarch so swayed by the results of telephone polls in *The Sun*: "You tell us. Should the Queen pay taxes?". (I know someone who rang up six times, using different voices, to say "yes, yes, yes, yes, yes, yes"). It *is* not as if there was any pressure from the two main political parties.

Her Majesty has at least not gone the whole egalitarian hog. Her son will not be liable to pay inheritance tax. When asked by a Labour member, "Why should all private assets passing from one sovereign to the next be exempt?" John Major spoke of "the danger of assets of the monarchy being salami-sliced away by capital taxation through generations." Well said. But why does not Major apply this sound moral principle to the rest of us?

Shortly after becoming prime minister, he declared his interest in reforming the wicked system of inheritance taxation and spoke of the need to create a society in which "wealth cascades down through the generations." So far he has done nothing to further this noble declaration.

Estates – other than Her Majesty's – are still liable to taxation at 40 per cent. That is the third, terminal, bite of the Inland Revenue. First our earnings are taxed, at up to 40 per cent. When we retire, the income from our savings – if we have not been robbed of them by inflation and illness – is taxed. And then, through inheritance tax, children are penalised for their parents' providence.

Perhaps it is too kind to this administration to say that it has done nothing to buttress the great Tory principle of inheritance. In fact it has acted strenuously to destroy inherited wealth.

On Wednesday, the day before Major made his staunch defence of the royal family's rights of inheritance, the Commons gave a third reading to the government's highly redistributive Housing and Urban Development bill. Among other things this bill gives leaseholders in subdivided properties and blocks of flats the right to buy out their landlords compulsorily.

Michael Howard, the environment secretary, sees this as a great and electorally beneficial extension of the right to buy. It is also the destruction of the inherited estates of the likes of the Duke of Westminster and Lord Cadogan, and the state interfering in legal contracts freely entered into, on the side of one of the parties.

It is a measure of which the utilitarian philosophers would have approved. The aggregate amount of happiness which will be felt by the many expropriating leaseholders will exceed the misery experienced by a few voteless grandees. But that does not make it right.

Property rights are at the heart of the capitalist system: ignore them, and you damage the integrity of that system, and leave it morally defenceless against those who really wish it harm.

If you cannot find it in your hearts to feel pity for the Duke of Westminster, remember that some of our greatest freeholders are pension funds and charities. One is the Henry Smith charity, set up in 1627 "for the purchasing of lands of inheritance for ever for relief of the poor." The original trustees acquired the village of Brompton, which we now know as Kensington. The income from the that last year enabled the charity to pay out over £11m to worthy causes.

Why should the affluent leaseholders of Lennox Gardens and Onslow Square be allowed to buy out the charity, if its trustees are against it? I cannot believe that any of those tenants acquired their leases without being aware that, on expiry, the property would revert to the Henry Smith charity. Her Majesty should beware. Who knows when this government might decide to treat her inheritance with as much contempt as it has those of other landowners?

■ *Dominic Lawson is editor of The Spectator.*

Private View/**Christian Tyler**

Inner struggle of a fighter in Britain's coal war

Neil Greatrex is the new head of the Union of Democratic Mineworkers. Nine years ago he helped lead his men out of the NUM. He explains why he is still a leftwinger

IT IS A story of conflicting loyalties and apparent betrayal, a story in which the enemy of the enemy proved to be no friend.

Neil Greatrex is a Nottinghamshire coal-miner who helped lead his men out of the National Union of Mineworkers yet keeps an NUM loyalty certificate hanging proudly in the hall of his house.

"People who've been round say: What the bloody 'ell you got that up for? But I was a member of the NUM for 20 years, and proud of it."

Elected president of the rebel Union of Democratic Mineworkers three months ago, Greatrex is lobbying ministers and managers as the future of British coal is re-assessed in a White Paper expected in the next couple of weeks.

He may be an NUM rebel, but Greatrex is no friend of the government which profited from the union split to defeat the 1984-5 miners' strike: he condemns it not because it betrayed the union rebels but because it is Conservative.

"When people say to me the government owe you, they don't owe me a thing," he said. "Because I've never done anything to support 'em.

"That's where people get it wrong. We're often accused – and you [the Press] do it more so than anybody – of being a breakaway union that supported the government in '84. Now I'm telling you, nobody in Notts supported the Tory government. What they did was to fight for the right to democracy within the NUM."

The UDM president is an abrasive, humorous man very much in the mould of his area and profession. He was always an activist. What is more, unlike most Nottinghamshire miners, he was a left-winger.

His political baptism came at the age of 16 when he raised his hand at a branch meeting in support of his elder brother. His intervention swung the decision against the right-wing leadership; so they disallowed his vote.

"I thought, if that's the attitude of the union officials we're supposed to elect and supposed to be democratic...So I started a bit of a campaign – probably arrogance more than anything – against them." Five years later he got his way: he was one of a group of young left-wingers who toppled the old guard.

A few weeks into the 1984 strike, history repeated itself. Arthur Scargill, president of the NUM, had come to meet the Nottinghamshire branch officials who were refusing to call their men out without a ballot.

"I gave him merry 'ell," Greatrex recalled. "I practically begged him to call a ballot even then. And he turned to Heathfield [Peter Heathfield, NUM general secretary] and said: 'You answer 'im. I don't want to talk to 'im'. And Heathfield says: 'You're not having a ballot because we don't trust you.' That's the worst thing he could have said."

Greatrex had been a militant in the 1972 and 1974 coal strikes and had campaigned for both Scargill and Heathfield. "I'm not ashamed to say it, even now, because I felt at that time they would be better for the membership. Unfortunately everyone's got a cross to bear, and that's probably mine."

He read his Marx and Engels, and the works of an obscure Chinese revolutionary recommended to him by Joe Whelan, the Communist former secretary of the Nottinghamshire area. He wielded a shovel on the coalface as a ripper before graduating to union safety officer. "I was rippling all day. I was footballing all weekend and boxing three nights a week."

Was he any good as a boxer? "I did it for fun more than anything. But my nose is still straight so I couldn't have been too bad at it," he laughed.

The day he got married to *his wife Sheila*, there was a reception at Bentinck colliery welfare club. It happened that a union meeting had been called downstairs for 6pm to vote on whether one coalface (where Greatrex was working) should stay on four shifts while the rest went down to three.

"So me and 20 others had to go down to union meeting. The in-laws haven't got over it from that day to this," he laughed. "And we still lost the vote."

Like many miners, Greatrex contemplated another career. His mother wanted something better for her sons. But his father refused to sign the paper necessary for him to join the Army as an engineering cadet ("If it's good enough for me it's good enough for you," was his response) and a joinery apprenticeship turned out to mean sweeping up in the shop for only £2.50 a week. So, like his grandfather, father and three brothers, down the pit he went.

At least it was a secure job.

Greatrex said: "You didn't really worry about the security. You never gave that a second thought. Everybody knew that mining had been about for years and they expected it to carry on for years."

Greatrex ascribed the union split to two things: Scargill's refusal to take the constitutional route and the behaviour of the flying pickets who came across the border from Yorkshire and one day turned over the three-wheeler car of a crippled Bentinck miner, with the man inside it.

He blames Scargill not only for a gross tactical error which he believes led to an acceleration of pit closures – 120 were shut, 13 of them in Nottinghamshire – after the strike was lost.

"I'll never forgive Scargill. All he's done is ruin thousands of people. He's ruined thousands of family relationships."

He said his own relationship with his elder daughter, Colette, was ruined for years. She was 10 at the start of the strike and, at the age when she was expecting a bit more freedom, could not understand that threats against the family made it dangerous for her go outside alone. "It's took nearly eight years to get that relationship right again," Greatrex said.

His father, a Scargill supporter, stopped talking to his son in 1984 and went to his grave five years later without breaking his silence.

The UDM president did not get on too well with his own predecessor, either. He describes Roy Lynk, the man he defeated last December, as a one-man band who kept his cards to his chest and was deceived into thinking he had friends in high places who would protect the jobs of the miners who had broken with the NUM.

One-man bands were bad for winning popular support. The public outcry that helped overturn Michael Heseltine's decision to close 31 pits as a prelude to privatisation had been "nothing short of a miracle", he said. "And I think, to be fair, Scargill has played his role in this. He's been told to tone it down because of public support, so he's played his role by keeping his gob shut.

"I think people right throughout the land are pig sick of unemployment and they've said 'Enough's enough'. That's what worries me about the campaign we're doing now. I know it focuses on mining, but I've tried to get the message across that you can't just isolate miners in this argument. It's everybody, every form of worker that's losing their jobs."

At the age of 41, Greatrex has found himself unexpectedly propelled into a national political crisis. I asked him for his impressions of Whitehall and Westminster.

You have talked to Heseltine, I said.

"Well, we shouted the first time, but we've spoken since."

What do make of him?

"Heseltine's bothered about Heseltine and nobody else."

What about John Major?

"I had a different impression of him entirely. I've always seen him on television as somebody guarded; he looks like you could pick him up and shake 'im to shake some life into 'im. In real life it's not like that at all. I honestly believed there was some compassion in the chap and that he genuinely wanted to help to resolve the situation."

He described Sir Marcus Fox, the Yorkshire MP who is chairman of the Conservative backbenchers, as "a genuine chap" who wanted to help – "not because we're the UDM but because we're mineworkers."

By temperament and political background Neil Greatrex is uncomfortable about hobnobbing in private with Conservative politicians or British Coal managers. Although he clearly regards Scargill's puritan refusal to engage at all as irresponsible, he is aware of the dangers of the backstairs chat.

"I've prided meself that I never wanted to change from when I was branch president at Bentinck and I've worked hard at not changing.

"I've seen it happen that many times when you've got a branch lad elected to a full-time official and he seems to change overnight. He becomes aloof from the membership, becomes aloof from all the friends he's had. I've never wanted to do that. I take people as I find them and they take me as they find me."

Shouldn't a union leader be leading his members as well as serving them?

"Its a compromise of both. One reason I stood against Roy Lynk is because Roy refused to take people to meetings. No-one knew what were being discussed and I object strongly to that. A leader should keep his national executive committee informed when he's discussing thousands of other people's lives – for his own sake, too.

"Obviously there's times when you've got to lead from front anyway and I've always been prepared to do that."

Have you got a different view of the system than you had?

"I have, and it annoys me. It annoys me in the sense that there's more compromises or agreements made sitting round a table over lunch than what there is sat in a formal meeting with proper negotiations. I don't like that. Going into bloody alleys and doorways with British Coal...that's what happens. But if you want to get the agreements for your members you have to go along with that. I find it difficult but I'll get used to it."

Won't you get corrupted by it?

"No."

After a pause, he added: "You all know it happens that British Coal and people offer you various things: 'Would you like to come to 't races?' or things like that. Without fear of contradiction I don't think you'll find that Neil Greatrex goes to many of them, if any."

No box at Ascot, not even the silver ring at Doncaster?

"Well, that wouldn't bother me 'cos I hate bloody horse-racing anyway." He laughed. "It would have to be something like Razor Ruddock fighting Lennox Lewis."

Population crisis in Daisyworld

Michael Thompson-Noel

I HAD another lesson this week with Jasper Strong, my 6ft 5in. sportscar-driving, blond-locked tennis coach. For two hours we worked on my back-court shots, the drives, the lobs and half-volleys. "Remember," said Jasper, "the lob is a *lifting* shot. Try to concentrate. Your mind should be blank."

I once asked Jasper why he persists with me. All his other clients are rich and wistful women who live in Daisyworld: the area off London's Kensington Church Street. "Well," said Jasper. "You are the only media whinger that I *know*. You have an interesting mind. Pitiful, but interesting." He is 23, with a degree in ~~sports studies~~.

As soon as the lesson was over, Jasper interrogated me about my remarks last week on unchecked population growth – specifically, my belief that the planet is hurtling towards a catastrophe caused by manic pollution and over-consumption.

"Priscilla Humpington-Koöning says you're wrong," said Jasper. "She says you are a pessimist and a cynic." Mrs Humpington-Koöning is one of his Kensington clients: beautiful and silly-rich.

"Priscilla says that from now on there will be progress in education, health, family planning and improvement of women's status to counteract population growth, and that technological prowess will help us master planetry degradation. She looked up some figures for me. Priscilla says that if the overall fertility rate stabilises at below two children per woman, world population will fall quite rapidly, perhaps to 5bn-6bn again by 2150. At a rate of 1.7, world population in 2150 would be the same as in 1978, about 4.3bn. Priscilla says optimism on this score is not far-fetched. Europe's current average fertility rate is 1.7. Eleven developed countries are already below it."

HAWKS & HANDSAWS

"Sure, Jasper," I said. "That is the view from Daisyworld. But I am a Cassandra, a neo-Malthusian. It is equally possible that world population will shoot to 20bn-30bn. Last week I mentioned Paul Harrison and his book, *The Third Revolution*. Everyone should read it. Referring to a population of 20bn-30bn, Harrison says: 'Assuming such numbers were sustainable, life could come to resemble the prophetic film *Soylent Green*, where meat and soap are exquisite rarities; nature is glimpsed only in videos played to euthanasia volunteers . . . and human corpses are recycled as high-protein biscuits.'

"Take water, Jasper. I know that when you visit Priscilla, she runs Perrier through the Jacuzzi for you as a prelude to rumpy-pumpy. There is not an obvious scarcity of water in Daisyworld. But its supply is finite. The global annual run-off from rainfall is 41,000 square kilometres. Of that, perhaps 9,000 sq km are available for human use. Of *that*, we already use more than a third. There will be wars over water. Even then, we are not facing a resource crisis but a pollution crisis. At the end of his lifetime the average European leaves a monument of waste almost 1,000 times his bodyweight. North Americans leave a waste mausoleum 3,900 times their bodyweight."

"So what are your solutions to population growth?"

I said: "All the usual: education, contraception, immense advances in women's status. But for Cassandras like me, more will be needed. We disagree with the idea that compulsion over family size has no rôle to play – that it violates human rights and is only possible in non-democratic societies. India and China are the only two countries to have tried it on a large scale so far. In India, family planning was said to have been set back a decade by Indira Gandhi's coercive vasectomy programme.

"However, I believe that such schemes will become the norm. I see nothing wrong with tax bonuses for childlessness or even the odd spot of castration for recidivist or overly gung-ho males."

Jasper had turned chalk-white. "I thought you were supposed to be a liberal," he whined.

"I *am* a liberal, Jasper – but a liberal from the middle of the 21st century. You should see what right-wingers will be like in 2050."

Jasper was stricken. But then he brightened. "I'll see you next week," he said. "What you need most is some extremely serious gym work. I will draw up a programme. Meantime, get your hair cut."